



OXFORD

REMAKING GLOBAL ORDER

The Evolution of Europe–China
Relations and its Implications for East Asia
and the United States

NICOLA CASARINI

REMAKING GLOBAL ORDER

This page intentionally left blank

Remaking Global Order

*The Evolution of Europe–China Relations
and its Implications for East Asia and
the United States*

NICOLA CASARINI

OXFORD
UNIVERSITY PRESS

OXFORD

UNIVERSITY PRESS

Great Clarendon Street, Oxford OX2 6DP

Oxford University Press is a department of the University of Oxford.
It furthers the University's objective of excellence in research, scholarship,
and education by publishing worldwide in

Oxford New York

Auckland Cape Town Dar es Salaam Hong Kong Karachi
Kuala Lumpur Madrid Melbourne Mexico City Nairobi
New Delhi Shanghai Taipei Toronto

With offices in

Argentina Austria Brazil Chile Czech Republic France Greece
Guatemala Hungary Italy Japan Poland Portugal Singapore
South Korea Switzerland Thailand Turkey Ukraine Vietnam

Oxford is a registered trade mark of Oxford University Press
in the UK and in certain other countries

Published in the United States
by Oxford University Press Inc., New York

© Nicola Casarini 2009

The moral rights of the author have been asserted
Database right Oxford University Press (maker)

First published 2009

All rights reserved. No part of this publication may be reproduced,
stored in a retrieval system, or transmitted, in any form or by any means,
without the prior permission in writing of Oxford University Press,
or as expressly permitted by law, or under terms agreed with the appropriate
reprographics rights organization. Enquiries concerning reproduction
outside the scope of the above should be sent to the Rights Department,
Oxford University Press, at the address above

You must not circulate this book in any other binding or cover
and you must impose the same condition on any acquirer

British Library Cataloguing in Publication Data
Data available

Library of Congress Cataloging in Publication Data
Data available

Typeset by SPI Publisher Services, Pondicherry, India
Printed in Great Britain
on acid-free paper by
MPG Biddles Ltd., King's Lynn, Norfolk

ISBN 978-0-19-956007-3

1 3 5 7 9 10 8 6 4 2

Naturalmente li omini boni desiderano di sapere

Leonardo da Vinci (Codex Atlanticus)

*Credo, ancora, che sia felice quello che riscontra el modo del procedere suo con le
qualita' dei tempi*

Niccolo Macchiavelli (Il Principe, XXV)

*Ceux qui ne veulent rien entreprendre parce qu'ils ne sont pas assurés que les
choses iront comme ils l'ont arrêté par avance se condamnent à l'immobilité*

Jean Monnet (Mémoires, p. 616)

This page intentionally left blank

Contents

<i>List of Figure and Tables</i>	ix
<i>List of Abbreviations</i>	xi
<i>Acknowledgments</i>	xv
Introduction	1
PART I: EVOLUTION	
1. From Cold War Constraints to New Possibilities	25
2. Widespread Engagement	41
3. The Interplay of Business and Politics	57
PART II: BALANCING	
4. Techno-Political Partnership	81
5. Space Cooperation	101
6. The Chinese Arms Embargo Affair	123
PART III: IMPLICATIONS	
7. The EU and East Asia's Strategic Balance	145
8. Global Concert of Democracies?	163
9. Back to the Future	177
<i>Notes</i>	193
<i>Bibliography</i>	211
<i>Index</i>	235

This page intentionally left blank

List of Figure and Tables

FIGURE

6.1. Comparison of estimates of China's military spending in 2003	134
---	-----

TABLES

2.1. East Asian economies (1996–1999)	48
3.1. Leading partner of the EU27 in merchandise trade (2004–2007) (in million euro)	59
3.2. Leading partner countries of the EU27 in services trade (2007) (in billion euro)	59
3.3. EU merchandise trade with China (2000–2007) (in billion euro)	59
3.4. GDP and population, 2007 (GDP in billion US\$)	60
3.5. Share of world GDP (1995–2030) (% at PPP)	60
3.6. EU members' share of China's market in 2007 (%)	68
8.1. US–China trade 2001–2007 (in billion US\$)	169
8.2. Great powers' military spending, 2007 (in billion US\$)	172
9.1. European perceptions of China (2006)	178

This page intentionally left blank

List of Abbreviations

ARF	ASEAN Regional Forum
ASAT	Anti satellite
ASL	Anti Secession Law
CASA	Construcciones Aeronauticas
CASS	Chinese Academy of Social Sciences
CCP	Chinese Communist Party
CCP	Common Commercial Policy
CENC	China Europe Global Navigation Satellite System Technical Training and Co operation Centre
CESTY	China EU Science & Technology Year
CFSP	Common Foreign and Security Policy
CGTR	China Galileo Test Range
CIA	Central Intelligence Agency
CIC	Chinese Investment Corporation
CoC	Code of Conduct
COCOM	Coordinating Committee for the control of strategic exports to communist countries
CSCAP	Council for Security Cooperation in Asia Pacific
CSCE	Conference on Security and Co operation in Europe
DG TREN	Directorate General for Energy and Transport
DGAP	German Council on Foreign Relations
DOD	Department of Defence
EADC	European Aerospace and Defence Company
EADS	European Aeronautic Defence and Space Company
EC	European Community
ECB	European Central Bank
EDA	European Defence Agency
EDEM	European Defence Equipment Market
EDITB	European Defence Industrial and Technological Base
EEA	European Economic Area

EETO	European Economic and Trade Office
EEV	End End Validation
EGSIC	Early Galileo Service in China
EMS	European Monetary System
EMU	Economic and Monetary Union
EP	European Parliament
EPC	European Political Cooperation
ERC	European Research Council
ESA	European Space Agency
ESDP	European Security and Defence Policy
ESS	European Security Strategy
EU	European Union
FAS	Fishery Application
FDI	Foreign Direct Investment
FPDA	Five Power Defence Arrangements
GAC	General Affairs Council
GAM	Government of Indonesia and the Free Aceh Movement
GATT	General Agreement on Tariffs and Trade
GJU	Galileo Joint Undertaking
GMES	Global Meteorological Environmental System
GNSS	Global Navigation Satellite System
GPA	Agreement on Government Procurement
GPS	Global Positioning System
GSA	GNSS Supervisory Authority
GSOMIA	General Security of Military Information Agreement
GSP	Generalised System of Preferences
IISS	International Institute for Strategic Studies
IPR	Intellectual Property Rights
IPR	International Property Rights
IR	International Relations
ITER	International Thermonuclear Reactor
ITU	International Telecommunication Union
KEDO	Korean Energy Development Organization
LBS	Location Based Services Standardization

LRR	Laser Retro Reflector
MEOLUT	Medium altitude Earth Orbit Local User Terminal
MES	Market Economy Status
MFA	Multi Fibre Agreement
MFN	Most Favoured Nation
MPPRC	<i>Military Power of the People's Republic of China</i>
NAS	<i>New Asia Strategy</i>
NATO	North Atlantic Treaty Organization
NDPC	National Disclosure Policy Committee
NEC	National Economic Council
NFA	New Comprehensive Framework Agreement
NGO	Non Governmental Organization
NOAA	National Oceanic and Atmospheric Administration
NPC	National People's Congress
NRSCC	National Remote Sensing Centre of China
PESD	<i>Petit Guide de la Politique Européenne de Sécurité et de Défense</i>
PLA	People's Liberation Army
PPP	Purchasing Power Parity
PRC	People's Republic of China
PRS	Public Regulated Service
QDRR	<i>Quadrennial Defence Review Report</i>
RTD	Research, Technology, and Development
SART	Search and Rescue Transponder
SDF	Self Defence Forces
SEA	Single European Act
SIPRI	Stockholm International Peace Research Institute
SLR	Satellite Laser Range
SMEs	Small and Medium Enterprises
SOEs	State Owned Enterprises
SWFs	Sovereign Wealth Funds
TCA	Trade and Cooperation Agreement
TREATI	<i>Trans Regional EU ASEAN Trade Initiative</i>
TRP	Technology Reinvestment Program
UN	United Nations

UNCHR	United Nations Commission on Human Rights
USAF	US Air Force
WEU	Western European Union
WIPO	World Intellectual Property Organization
WTO	World Trade Organization

Acknowledgments

It is only when you reach the end and look back that you realise how many people have supported your project. In this book, I attempt to explain the development of contemporary EU-China relations in the economic, technological and high-politics dimensions, including implications for East Asia's major powers and the United States. It builds on a doctoral dissertation completed at the London School of Economics and Political Science (LSE) and includes revisions and further research carried out during a post-doctorate period at the European University Institute (EUI) in Florence. Many people, from different fields, have contributed to this endeavour. Without their guidance, willingness to read and generosity in offering comments on drafts, this project would have never seen the light. I dedicate this book to all those that have made it possible.

My greatest debt goes to the two institutions that have supported most this project: the Department of International Relations at the LSE; and the Robert Schuman Centre for Advanced Studies at the EUI.

The LSE provided an ideal environment for carrying out a PhD on EU-China relations. I have much respect and appreciation for the guidance provided by Michael Yahuda in the first stages of the doctoral dissertation and, later on, by Christopher Hughes who gave valuable comments, offered critical observations, and helped to keep the entire project in perspective, as well as focused on the goal. If the doctoral dissertation was finished in good time, it was because of Christopher Hughes continuing support and encouragement.

Along with the invaluable expertise on Chinese foreign policy and East Asia's security affairs mentioned above, the project greatly benefited from the opportunity to engage with leading scholars of European foreign policy and transatlantic relations at the LSE. In this context, William Wallace and Christopher Hill were most kind in answering my questions and offering suggestions, even on topics that extend beyond simple PhD research. Lord Wallace, in particular, has been a great source of inspiration and encouragement.

During the time of my PhD in London, I was able to read, think and share my thoughts with fellow research students. Most of them are now in academic positions worldwide. I am grateful to: Michael Aktipis, Miriam Allam, Andreas Antoniadis, Alexander Bukh, Stephanie Carvin, Alexandra Dias, Eva Gross, Robert Kissack, Padideh Tosti, William Vlcek, Reuben Wong.

A three-month visiting fellowship at the European Union Institute for Security Studies (EUISS) in Paris in Autumn 2005 allowed me to conduct further research and gather first-hand information from EU policy makers in Brussels. The fellowship resulted in the publication of an Occasional Paper on EU-China relations that enjoyed a broad audience. I wish to thank Nicole Gnesotto, the EUISS Director at that time, Gustav Lindstrom, Antonio Misiroli and Marcin Zaborowski for support and comments on earlier drafts of the paper. Moreover, for hosting my visits in Paris, I offer thanks to Rino Gaeta and Lorenza Rossi.

The doctoral dissertation (which forms the backbone of this book) was discussed in June 2006. I wish to thank warmly my two examiners: David Kerr and William Wallace. Their comments and careful remarks greatly helped in the subsequent revision for publication.

Special gratitude goes to Costanza Musu, currently at the University of Ottawa, for support and friendship throughout the years that I spent in London. The parts in this book dealing with European foreign policy owe a great deal to the conversations and intellectual inspiration gained by working alongside Costanza on a number of academic projects.

For making my life in London a pleasant experience and for their encouragement throughout, I thank my friends: Robyn Boparai, Marco Cerini, Kevin Derbyshire, Anthony Duschell, Stephen Moffitt, Roberto Ravelli, and Lorenzo Sasso.

After completion of my PhD, I moved to the Robert Schuman Centre for Advanced Studies (RSCAS) at the European University Institute (EUI) in Florence where I took up a Jean Monnet post-doctorate fellowship and, later on, a Marie Curie fellowship. The RSCAS provided a very supportive place for revision and further research. I would like to thank warmly Stefano Bartolini, the RSCAS Director, for his continuing support and encouragement, and Pascal Vennesson for his invaluable mentorship. Pascal Vennesson, in particular, provided generous comments and critical observations on my project, offering suggestions and support on topics that extended beyond post-doctorate mentorship.

During my first year at the EUI, I co-organised an international conference on North-East Asia's security. The conference provided an excellent opportunity for discussing and testing the initial hypothesis on the EU's changing role in East Asia contained in Part III of this book. I am grateful to the experts who participated in the conference, including Ivo Daalder, Chris Hughes, Franz Jessen, Chris Nelson, Menxin Pei, Yoshihide Soeya, Pascal Vennesson, Gudrun Wacker.

In the course of research and writing at the EUI, a number of colleagues and friends read chapters and provided support in various forms to this

project. I would like to thank Nicola Ahner, Frank Benyon, Marc Berenson, Jean-Pierre Cassarino, Rinku Lamba, Stephanie Mudge, Raffaella del Sarto, Violeta Piculescu. Thanks also to the administrative staff in the RSCAS: Laura Burgassi, Filipa De Sousa, Mei Lan Goei, Letitia Jespers, Angelika Lanfranchi.

Many thanks to colleagues and friends in various academic institutions and think tanks that over the years have provided comments and useful improvements to the final quality of the book: Axel Berkofsky, Roberto Menotti, May-Britt Stumbaum, Natalie Tocci, Gabriele Tonne.

The research for this book benefited from fieldwork and interviews carried out in Europe, the United States and East Asia (China, Japan and South Korea). I wish to thank Elisabeth Engebretsen, Adele Lobasso, Giuseppe Rao, Maria Weber and Chen Wenbing for their support during my stay in Beijing. Alex Bukh for his help during my stay in Japan. Kim Nam-Kook and Moon Woosik for their support during my stay in South Korea.

A number of officials in various institutions were consulted and provided comments on this project. I would like to thank in particular: Eero Ailio, Marc Abensour, Giovanni Cremonini, Marta Dassu, Katsuhisa Furukawa, Yin Jun, Otaka Junichiro, Denis Keefe, Lee Chang-Yune, Georges Papageorgiu, Michael Reiterer, Antonio Tanca, Antonino Tata, Yang Hua.

Research for this book also benefited from the financial support of various institutions. I am greatly indebted to the financial support received by the Department of International Relations at the LSE; by the Central Research Fund of the University of London; by the Italian National Research Council (CNR); by the Robert Schuman Centre for Advanced Studies at the EUI; and by the European Commission (Marie Curie Actions).

Finally, I would like to thank warmly the three reviewers that provided very fair comments to earlier drafts of the book and the editorial staff at Oxford University Press: Dominic Byatt, Chief Editor for Politics, Elizabeth Suffling and Aimee Wright. Special thanks to Louise Sprake who did an excellent job of overseeing the production of the book. The editorial team at OUP and the reviewers greatly helped in making the book better than it would otherwise have been.

In the end, however, I alone remain responsible for the content of this book and for any errors or misinterpretations contained herein.

This book is dedicated to my parents, Ivo Casarini and Amalia De Chiara. They have never quite understood why I was interested in this subject and, more generally, why I decided to embark on an academic career. Nonetheless, they have always supported my undertakings unwaveringly. Special credit also goes to Patrizio Paoletti whose teaching has provided me with a larger vision of the world, the things, and the people.

Florence, April 2009

This page intentionally left blank

Introduction

The emergence of the European Union (EU) as a global actor and the rise of the People's Republic of China (PRC, or simply China) are two of the most important events that have occurred in world politics in the last decades. Both the EU and China would rise in an environment whose security and public goods is guaranteed by the United States (US). However, due to their size, economic weight, and strategic significance, these new players provide (to different degrees) a formidable challenge to the post-Cold War international order centred around US primacy. In the last years, Sino-European relations have developed at a dramatic pace across the board. Since 2004 (after EU enlargement), China has become the EU's second biggest trading partner (after the US) and the EU is China's biggest trading partner (ahead of the US as well as Japan). On already sound economic ties, political relations have been bolstered with the establishment of strategic partnership in Autumn 2003. This was accompanied by an agreement on space and satellite navigation cooperation and the promise to start discussion on lifting the EU arms embargo on China. It was the time of the 'love affair' between the EU and China, which took the form of a techno-political linkage attracting the attention, and the concern, of other global players. In particular, cooperation in strategic and security-related fields would transform the Sino-European relationship into a matter of significance (and fraught with implications) for East Asia's major powers and the United States. The attempt to promote EU space and defence interests in China would also contribute to changing perceptions of the EU, providing an ominous test for EU policy makers. Following strong opposition (and threat of retaliation) by the US to the proposal to lift the arms embargo, the EU and its member states would eventually shelve the issue (Summer 2005) and begin to gradually realign its foreign and security policy in China and East Asia on the position of the United States and its Asian allies, a move enshrined in the *Guidelines on the EU's Foreign and Security Policy in East Asia* adopted by the Council of the EU in December 2007. In the same vein, with the publication in July 2008 of the procurement scheme for the second phase of Galileo (the EU-led global navigation satellite system) the Europeans would exclude Chinese contractors and lay the basis for a political readjustment of cooperation in satellite navigation, signalling the presence of misunderstanding and divergences between the two sides' satellite navigation policies and programmes. The move adopted in July 2008 would also put a temporary halt to the most

prominent aspect of their techno-political linkage initiated in Autumn 2003 and meant to challenge US primacy in key high-tech industrial and defence-related sectors. At that time, for some EU policy makers initiatives such as space and satellite navigation cooperation and the proposal to lift would contribute to maintaining EU global competitiveness in the aerospace and defence sectors as well as supporting autonomy and a future leadership role of the EU in world affairs. A techno-political linkage with China would contribute (so was the hope) to building trust with Beijing and supporting its integration into international society. For Chinese leaders, a techno-political linkage with Europe would reinforce their regime, boost their country's comprehensive national power, and create a solid foundation for the emergence of an international system characterized by multiple poles of influence. By Summer 2008, this Sino-European techno-political linkage would be largely over. A primary concern of this book is thus to examine the driving forces behind the development of Sino-European relations in the strategic and security-related fields in order to better understand one of the more ominous attempts by Chinese leaders and some EU policy makers to challenge American primacy in the post-Cold War era and create the conditions for the emergence of a world where power and influence would be more diffused.

THE BOOK

This study provides the reader with an examination of the main themes and forces that have fostered the development of EU-China relations with particular attention to those aspects that have made the relationship a matter of strategic significance for the United States and its Asian allies. In the first part of this book, the reader is presented with an analysis of the evolution of the relationship, with particular attention devoted to the dramatic growth of EU-China relations across the board occurred in the post-Cold War period. This part seeks to identify the strategic reasons given by EU and Chinese policy makers for fostering relations in the economic as well as in the more strategic and security-related fields. The second part of this book concentrates on the strategic partnership established by the two sides since Autumn 2003 asking: Why has the EU invited China to cooperate in Galileo and other space technologies? Why have EU policy makers proposed to lift the arms embargo? What would EU and Chinese policy makers like to achieve by establishing a techno-political linkage between their respective aerospace and defence sectors? Why have the United States and its Asian allies criticized these initiatives and strongly opposed the proposal to lift? The third, and final, part of this

book focuses on the implications of the promotion of EU space and defence interests in China for East Asia's major powers and the United States. The questions asked are the following: Has engagement with China on space and defence matters changed perceptions of the EU among East Asian and American policy makers? With what implications for EU foreign and security policy in the area and transatlantic relations? What would explain the realignment of the EU's foreign and security policy in China and East Asia on US perspectives since Autumn 2005? Why did the EU decide to put a temporary halt to Sino-European satellite navigation cooperation in July 2008? And finally, what does the examination of the EU's China policy of the last years tell us about the emergence of the EU as a global actor?

Alongside the analysis of the economic dimension which remains the backbone of the relationship, this book focuses on the more technological, strategic, and security-related aspects of the relationship: space and satellite navigation cooperation; advanced technology transfers; arms sales, including the question of the proposal to lift the EU arms embargo on China. The strategic significance of the latter is beyond discussion. With regard to space and high S&T cooperation, they are traditionally considered fields in between low and high politics. The promotion of cooperation between the EU and China in space, satellite navigation, and high S&T as well as closer ties between their aerospace industries and attempts at connecting the two sides' defence sectors through the proposal to lift the arms embargo, would produce what is labelled here a 'techno-political linkage' which would be perceived by the United States and its Asian allies as having a potential disturbing effect on East Asia's strategic balance and the United States' security interests in the area. Notwithstanding their global relevance, these topics seem to have received, however, much less attention from the scholarly literature than they would deserve for fully understanding the significance of contemporary EU-China relations.

The examination of the Sino-European techno-political linkage contained in this book, in particular in the period between Autumn 2003 and Summer 2005 (when the proposal to lift the EU arms embargo would be officially postponed) and the subsequent realignment of EU foreign and security policy in China and East Asia on the position of the United States, is placed in the context of evolving dynamics in transatlantic relations on the one hand, and East Asia's major powers' changing security perceptions, on the other. With this approach, this study intends to provide the reader with a better understanding of the global implications of Sino-European relations while also raising the question as to whether – and to what extent – the promotion of EU space and defence interests in China has made the EU (albeit inadvertently) a novel strategic factor in East Asia.

This volume can thus be read in three ways: (a) as a work that analyses the development of contemporary EU–China relations in the economic, technological, and high-politics dimensions; (b) as an examination of the implications of the high-tech and security-related elements of the relationship for East Asia’s major powers and the United States; and (c) as a study that traces the process of the emergence of the EU as a novel strategic factor in East Asia. This study leaves out, on purpose, important aspects of the Sino–European relationship. A comprehensive study of all the various domains of the relationship would, in fact, require several volumes and be beyond the capacity of this author. It is felt instead that by concentrating on the economic, technological, and high-politics elements of the relationship, this research will provide the reader with a better understanding of the strategic significance acquired by contemporary Sino–European relations, including their implications for East Asia’s major powers and the United States. This approach also contributes to current discussions on the emerging global order and the place (and role) that the EU and China may have in it. The breadth and scope of the issues under examination are a sign of the profound changes occurred in the international system in the post-Cold War era and represent a remarkable departure from the neglect that the topic of EU–China relations largely received from the scholarly community only a few decades ago.

The Development of a Scholarly Field

In the 1970s and 1980s, Sino–European relations were viewed as derivative of Cold War constraints and as such of secondary significance. Chinese leaders, for instance, tended to use relations with European countries as part of their policy to gain strategic advantage vis-à-vis the United States and the Soviet Union. By the same token, both Western and Eastern Europe’s relations with China would depend on their respective ties with Washington or Moscow. Such neglect was reflected in the scholarly community which tended to view the two sides as ‘weak and far away’.¹ The result, was a paucity of scholarly works in the 1970s and 1980s. The end of the Cold War would bring about new possibilities for the development of the relationship and the scholarly literature would follow this passage.² Accordingly, a number of studies were produced, focusing largely on the economic and diplomatic relations between Europe and China in the post-Cold War period and on their future potential.³ Since the early 1990s, scholars have concentrated their attention on themes as different but interrelated as the relations between China and individual EU member states (in particular the large ones)⁴; on the role of Hong Kong and

Macau in China's relations with Europe⁵; or on the Taiwan question in EU–China relations.⁶ Some researchers have addressed the potential, and the limits, of closer relations and of a strategic partnership, pointing out fundamental differences between Europe and China.⁷ Noteworthy in this context is the publication of a special issue of *The China Quarterly* entirely devoted to Europe–China relations in March 2002.⁸ Since the late 1990s, the subject of EU–China relations has also found place in works by scholars concerned with broader Asia–Europe relations and the prospects of inter-regional cooperation.⁹ EU–China relations would also be examined in the context of transatlantic relations and of the emergence of diverging perceptions between the EU and the United States vis-à-vis a rising China.¹⁰ In this vein, catchwords such as 'the emerging axis' and 'the new strategic triangle' would gain currency.¹¹

The establishment of a comprehensive strategic partnership between the EU and China in Autumn 2003 would attract further interest from the scholarly and policy community, spurring a new wave of publications.¹² A number of conferences and workshops would be organized whose proceedings would be later published in edited volumes.¹³ More recently, some works have focused on a critical assessment of the content and meaning of the Sino–European strategic partnership, its significance for the international system,¹⁴ and whether Europe and China could shape a new world order.¹⁵

While this study takes stock of the earlier mentioned scholarly and policy-oriented works, a major task of this book is to interpret, and explain, the development of EU–China relations, including the more strategic and security-related spheres, and their implications for East Asia's major powers and the United States. As mentioned earlier, it concentrates on the economic, technological, and high-politics elements of the relationship which have often been understudied (if not neglected, as in the case of space cooperation). The study uses insights from the main paradigms developed in the scholarly field of international relations (IR) in order to identify the (often unexpressed) theoretical lenses used by European and Chinese leaders – at various times and in different contexts – for pushing forward their bilateral relations, including the establishment of a techno-political linkage.¹⁶ In this way, this book aims to gain insights into how EU and Chinese policy makers tended to look at the emerging global order in the post-Cold war period, including the place (and role) of Europe and China in it. It became, in fact, pretty evident during field research and interviews with practitioners, that the way EU and Chinese policy makers were developing their relationship depended largely on the lenses (i.e. the paradigms) through which they viewed the world and the place of their countries in it.

Paradigms in IR

Scholars have noted that it was European history which provided the laboratory from which liberals and realists 'have derived their widely divergent theories of inter-state relations'.¹⁷ Realist and idealist (or liberal) approaches have long dominated the practice and study of IR and they will be used here to interpret the development of EU–China relations. The post-Cold War period would witness the emergence of additional (and alternative) paradigms felt to provide better explanations of the emerging global order and the new challenges posed by the globalization process. Of all the various approaches that emerged, constructivism was retained here as it provides useful insights for explaining behaviour of those policy makers, in particular from Europe, committed to using the power of ideas, including normative approaches, in order to support China's transformation into an open society and its integration into the international community. The three paradigms employed in this study for the purposes of explaining the development of EU–China relations – realism, liberalism, and constructivism – have emerged at different historical times and are now interspersed with each other in driving forward the Sino–European relationship.

The first paradigm, political realism, in its classic form stretches back to the works of Niccolò Machiavelli, in particular *The Prince* (1532) and Thomas Hobbes, author of the *Leviathan* (1651).¹⁸ Both Machiavelli and Hobbes assumed that human beings' behaviour was fundamentally motivated by self-interest and lust for power. Accordingly, international politics would be a constant struggle for power. Sovereign political entities (mainly states) would strive for survival in an arena (the international system) characterized by anarchy by accumulating as much power as possible in order to defend, and pursue, their national interest. In such an environment, military power would be of the uttermost importance and wealth accumulated from commerce would serve to build the necessary armies to wage eventual wars against those threatening the survival of the state or for conquering new territories. The European concert of powers would operate under this paradigm for centuries. After the First World War the seminal work of E.H. Carr's *The Twenty Years' Crisis* provided the basis for twentieth century political realism in international relations.¹⁹ In the aftermath of the Second World War, the works of Hans Morgenthau contributed to establishing realism as the dominant paradigm for the study of international relations.²⁰ Contemporary realists would hold (like their classical predecessors) that states are the principal actors in world politics. States would pursue their national interests within an anarchical international system through the acquisition and the

exercise of power. As a result, socio-economic concerns would be subordinate to the pursuit of political power. The focus of the realist school has traditionally been on great powers whose behaviour is influenced mainly by their external environment (i.e. structural constraints) and not by their internal characteristics. From the realist point of view (in particular in its structural variant), it is not possible to differentiate among states since it is the structure of the international system that shapes their foreign policy and not whether they are democratic or authoritarian. In Kenneth Waltz's structural (or defensive) realism, states merely aim to survive, regardless of their culture and political system. Waltz would maintain that it is the anarchical structure of the international system which forces states to pursue power in order to enhance their prospects for survival. According to this strand of realism, the 'first concern of states is to maintain their position in the system'.²¹ This is not shared, however, by all realists. John Mearsheimer, foremost representative of offensive realism, claim that status quo powers would be rather difficult to find since the international system creates incentives for gaining power at the expense of rivals. For offensive realists, the ultimate goal of a state is to be the hegemon of the international system. It follows that 'creating a peaceful world is surely an attractive idea, but it is not a practical one'.²² Offensive realism has traditionally held a rather pessimist view of international politics.

Conversely, the liberal school of thought holds a more positive view of international relations. Liberals tend in fact to be optimistic about the prospects for a safer and more peaceful world. Also the liberal school considers the state to be the main actor in world politics. Yet, the emphasis here is on the internal arrangement (e.g. democracy as opposed to authoritarianism) which is seen as having important effects on a state's foreign policy, to the point that for the advocates of the democratic peace theory, democracies would hardly fight each other.²³ Besides the internal political system, liberals maintain that high levels of economic interdependence among states would contribute to a peaceful international system, since economic exchanges promote prosperity and this could, in turn, spur domestic change within authoritarian regimes towards democracy – the idea of 'change through trade'. Satisfied (and democratic) states are less prone to engaging in wars since they may put at risk their prosperity (*mors tua – mors mea*). Hence, for liberals (in their institutionalist variants) anarchy could be overcome by states agreeing to pursue absolute gains by collaborating in international organizations and fora, that is, where every state gains more than it loses by collaboration and positive engagement with other states (*vita tua – vita mea*) which could lead, in turn, to states' behaviour that cultivates an indifference for relative gains, that is, where one state gains more (relatively) than another (*mors tua – vita mea*).²⁴ Since the mid-1970s, interdependence theorists would further stress

that in an increasingly interdependent world, states would gain more by strengthening institutions and organizations for regional and world governance.²⁵ The EU would be the most prominent example of the validity, and benefits, of adopting such a paradigm. In the post-Cold War period, the emergence of constructivism in IR has provided scholars with additional tools for applying the role of ideas and norms in world politics. The catchphrase by Alexander Wendt that ‘anarchy is what states make of it’ has come to encapsulate a research agenda based on ideational factors.²⁶ The role of ideas has been widely used by scholars of European Foreign Policy for explaining the international behaviour of the EU and its perceived civilian and normative role.²⁷

The Argument

The development of EU–China relations since the end of the Cold War shows a combination of material (realist), idealist (liberal), and ideational (constructivist) elements. Self-interest reasons were evident, for instance, in the adoption by the EU and its member states of a firm policy of engagement vis-à-vis China since the mid-1990s. With the so-called policy of ‘constructive engagement’, the EU and its member states aimed to support China’s transformation process and its integration in the world economy and regulatory system. This would contribute to enabling European companies to compete on an equal and fair footing in China fostering, in this way, European business interests in the Chinese market. Idealist arguments would accompany the EU’s engagement policy with China. The promotion of economic exchanges with the Chinese regime would in fact be perceived as instrumental for supporting the development of a civil society within China which could hopefully lead, over time, to greater political liberalization and respect for fundamental freedoms and human rights. This liberal idea of change through trade would be based on the assumption that in an increasingly interdependent world, there would be no other option than to engage with Beijing and seek to transform China along liberal–democratic lines. A firm engagement policy would be felt to have not only positive effects in the domestic arena, but also (so would be the hope) in Chinese foreign policy behaviour. By helping China enmesh into international rules and regimes, EU policy makers in Brussels and in the national capitals would hope to convince China of the benefits of a peaceful and cooperative foreign policy attitude both in the region and worldwide. This approach would be in tune not only with liberal arguments in their interdependent and institutional variants but also with the advocates of the theory of trade expectations which, by combining some core

elements of realism (self-interest as the driving force for action) and liberalism (interdependence as the regulative structure underlying the international system), maintains that it is important for developed nations such as the EU and its member states to shape their foreign policy towards China in such a way so as to ensure that Beijing's expectations concerning its economic development would be as positive as possible and the costs involved in engaging in an aggressive foreign policy prohibitively high.²⁸ Furthermore, the stated desire of the EU and its member states to help support China's modernization and transformation process towards an open society based on the rule of law and respect for human rights would uphold ideational factors and enforce a constructivist perspective. A combination of the three main paradigms (realism, liberalism, and constructivism) appear thus to have guided the EU's policy of widespread engagement with China since the mid-1990s.

For the Chinese leadership, enhancing relations across the board with the EU and its member states has always been seen as a highly strategic objective, as it would be instrumental for helping the country's long-term economic development and overall modernization. China's determination to strengthen economic ties and technology transfers with Europe is closely linked with Beijing's redefinition of its national core interests. Since 1978, Chinese leaders have identified modernization and economic development as one of the new national core interests and central goals (the others being: achieving unification with Taiwan; and maintaining peaceful cooperation and relations with China's major partners while opposing hegemony). In a situation where the Maoist ideology has lost its appeal and *raison d'être*, delivering economic development and rising standard of living (along with the prospect of achieving unification with Taiwan) has become the basis for the legitimization of the ruling Chinese Communist Party (CCP). In order to carry out the modernization process and economic development, both reforms and an open-door policy are needed. With regard to the reform process, for the CCP this means the transformation from a system of planned economy to a market-oriented one, while the open-door policy is based on a firm adherence to the development of economic and technological exchanges and cooperation with foreign countries. The overall objective being the maintenance of sustained economic growth over the next decades in order to 'build a well-off society in a well-rounded way' by the middle of the twenty-first century.²⁹ In this context, enhancing relations across the board with the EU and its member states is seen by Chinese leaders as strategic, in particular for accessing advanced Western technology which would be much more difficult (if not impossible) to obtain from the United States or Japan. Already in the early 1980s, when West European investments and technology would play an

important role in advancing China's modernization process, Deng Xiaoping declared that: 'we should lose no time in seeking their [Western Europe] cooperation, so as to speed up our technological transformation... it is a matter of strategic importance'.³⁰ For Chinese leaders, the strategic element in Sino-European relations is thus contained in the idea that Europe's capital goods and advanced technology would make it easier – and faster – for China to develop its economy and modernize its industrial base which would, in turn, increase the country's overall political influence and diplomatic leverage.³¹ Material concerns regarding China's comprehensive national power would thus be a major driver for enhancing relations with the EC/EU and its member states.

With the establishment of strategic partnership in Autumn 2003, in addition to the reasons outlined earlier, it seems that for both Chinese and some EU policy makers power balancing considerations would play a role in fostering a techno-political linkage. Opposition to the US-led Iraq war provided an opportunity window for Chinese and some EU political leaderships (in particular from the large EU member states of 'old Europe' and high ranking officials in the European Commission) to counter US primacy in the aerospace and defence sectors and attempt to limit some of the more unilateral attitudes of the United States in world affairs. Behind the establishment of strategic partnership, there were in fact plans for countering US preponderance in some key high-tech sectors as well as promote (in the case of the Europeans) greater autonomy in security affairs from Washington. This was a response to US strategy known as 'preponderance' (or 'primacy') articulated by scholars and policy makers alike in the aftermath of the demise of the Soviet Union and the end of the Cold War.³² The term 'maximal realism' would be also added to describe a vision of a new world order led by an international hegemon.³³ According to the advocates of 'primacy' (as well as 'preponderance' and 'maximal realism'), the key to peace and stability would be for the superior state (i.e. the United States) to maintain military and technological superiority over those that seek to challenge it and to sustain a willingness to defend the vital interests of its allies. One of the spill-over effects of this argument would be the creation of forums and organizations (such as The Project for the New American Century) from which the principle that 'American leadership is good both for America and for the world' would be propagated.³⁴ Growing disaffection towards US unilateral attitudes, the 'preventive war' doctrine, and the US-led Iraq war among EU political leaderships (in particular, in Western continental Europe) and public opinions provided, thus, the context for challenging American primacy and the neo-conservative agenda of the Bush administration. Underneath, there was an attempt, by some EU political and corporate leaders, to close a technology gap with the

United States and promote European autonomy in security affairs. In order to better understand the balancing elements contained in the establishment of the EU–China strategic partnership, it is necessary to delve into the debates among IR scholars as to whether American primacy in the post-Cold War period would be challenged and how.

Soft Balancing in EU–China Relations

In a US-led (and US-designed) post-Cold War international system, both China and the EU would strive (to different degrees) for their rightful place in the world that would match their increasing economic and political clout. Their bilateral relations would thus inevitably impinge on (and have implications for) the emerging global order as well as the strategic interests of the superior state sitting on top of the international system. Since the demise of the Soviet Union, scholars have questioned whether the post-bipolar period would witness the emergence of a new balancing order and the rise of great powers that could challenge American primacy.³⁵ While some scholars predicted a long period of unchallenged supremacy by the United States, structural realists such as Michael Waltz argued that unipolarity contained the seeds of counterbalancing actions by second-tier great powers and as such they would expect balancing strategies, both hard and soft, against US unipolar moment.³⁶ Eventually, the world would see neither external balancing through the formation of alliances, nor internal hard balancing through military build-ups of would-be competitors of the United States.³⁷ By the turn of the millennium, the debate had shifted to finding explanation for the ‘unipolar moment’ of the United States and the absence of balancing strategies by second-tier great powers against American supremacy.³⁸ The debate would then move on to whether balance of power politics was emerging in a more subtle guise, namely whether in the absence of hard balancing, great powers could be engaged in soft balancing to counter US primacy.

Most of the literature has focused on the notion of hard balancing, traditionally employed by scholars for explaining a change in the military balance in an actual or (more often) potential conflict by contributing military capabilities to the weaker side through measures such as military build-up, war-fighting alliance, or transfer of military technology to an ally. Soft balancing, instead, includes actions that rely on non-military tools such as the use of diplomacy, international institutions, and international law to constrain and delegitimize the actions of the superior state. Moreover, soft balancing can take the form of initiatives aimed at closing the economic and technological gap between second-tier great powers and the hegemonic state.

For some scholars, soft balancing aims to have a real, if indirect, effect on the military prospects of the hegemon of the international system. Other researchers have instead observed that soft balancing could also simply aim at the hegemon's intentions and not exclusively at its military capabilities.³⁹ De facto soft balancing appears to be driven by a combination of economic interests, security concerns, domestic motives, and the desire to counterbalance the superior power by closing the technological gap. Since these factors would feature prominently in the establishment of the techno-political linkage between the EU and China in Autumn 2003, it is argued here that by employing the notion of soft balancing it would be possible to gain a better understanding of the underlying reasons behind the behaviour of the two most ominous second-tiers great powers and their attempt to challenge US primacy.

A certain amount of attention in the scholarly literature has been devoted to examining the interactions between Russia and China as they appear to represent, 'the strongest case of soft balancing'.⁴⁰ Yet, also the EU would be considered as a possible – and strong – candidate for soft balancing against the United States.⁴¹ Since the end of the Cold War, the EC/EU has, in fact, begun claiming an autonomous security role. 'The reallocation of roles in the transatlantic alliance has been taking place since 1991 when the absence of an existential security threat allowed the European economic bloc to renegotiate security roles without incurring any great risk'.⁴² The adoption of a common currency in 1999 was an example of economic soft balancing. Scholars would dub the birth of the Euro the 'single most important event in European and transatlantic politics since the demise of the Soviet Union'.⁴³ This happened at a time of slow decline of Atlanticists orientations in Western Europe coupled with reduced US military presence and the reorientation of Washington's strategic priorities away from the European theatre. Opposition to the US-led Iraq war by France and Germany in 2003 and the creation of a European Security and Defence Policy (ESDP), including efforts for an increased EU security role, can be considered, after the birth of the Euro, another powerful example of soft balancing against US primacy by the European allies.

The establishment of strategic partnership between the EU and China in Autumn 2003, including a techno-political linkage, must therefore be seen as a practical extension at the level of international politics of the determination by the EU and its member states (in particular, the large continental nations of Western Europe) to assume a greater – and more autonomous – foreign and security policy role. In the case of the EU–China strategic partnership, the aim would not be US military preponderance (at least not for the European allies) but US intentions in key technological and strategic sectors

like aerospace and defence. US policies in these sectors in the post-Cold War period had come in fact to be perceived as a challenge – if not a threat – for global competitiveness and autonomy by EU policy makers. The EU's decision to invite China and other space-faring nations to jointly develop the Galileo satellite system would also derive from different transatlantic conceptions on the use of space. While Washington concentrates on leveraging the space to provide America and its allies an asymmetric military advantage, the EU is more concerned in creating useful (i.e. commercial) space applications. Sino–European space cooperation would thus be meant to boost commercial activities while the United States looks at space from a different angle, that is, the protection of its global interests and primacy in world affairs. In this sense, the EU uses international cooperation in the Galileo project to disseminate trust and the peaceful use of space technology. Since little cooperation is underway in satellite navigation between the transatlantic allies, Sino–European space cooperation could be rightly seen as a reaction over US uses of its space primacy. In other words, EU–China cooperation in the Galileo project would not aim (at least in the eyes of the Europeans) at the space capabilities of the United States, but rather at its intentions.

The proposal to lift the EU arms embargo on China (currently shelved) can be seen as another attempt by some powerful EU member states (in particular, France and Germany, but also Italy and Spain) to soft balance against US primacy in the defence sector by opening up to the very promising Chinese defence market and procurement budget. The latter being pretty marginal for US defence companies due to strategic considerations and the Taiwan factor. As a result, US opposition to the proposal to lift the EU arms embargo on China would also acquire a commercial dimension. However, the main aim of the lifting would be the political recognition of a rising China. The message to Washington was that China could (and should, according to the advocates of the lifting) be treated as a 'normal' great power. Recognition of China as a 'normal' power by the EU would eventually contribute to shedding dependency in security and political matters from Washington and open up new avenues in world politics outside the hegemonic interests of the United States. This attracted most of the attention, and the concern, in Washington. In the end, the shelving of the Chinese arms embargo issue was a victory for the advocates of American primacy in world affairs (both in the United States and in Europe) as it demonstrated to Washington's Asian allies (and the Europeans as well) that the United States was still firmly in command of major political decisions within the Western camp. According to the advocates of the proposal to lift, the aim here was neither US military capabilities, nor an attempt to affect intentionally East

Asia's strategic balance by arming – or openly siding with – Beijing. As in the case of cooperation in Galileo, the proposal to lift would have been, largely, a soft balancing act whose intention (at least for EU policy makers) was aimed at influencing US posture over China. In a direction more in tune with the EU's policy of constructive engagement adopted vis-à-vis China since the mid-1990s.

The period between Autumn 2003 and Summer 2005 would remain the only moment in the recent history of the EU when the Europeans (in particular, the political leadership of France and Germany and some policy makers in other continental countries of 'old Europe' as well as high-ranking elements within the European Commission) had attempted to challenge the traditional transatlantic alliance by soft balancing against the United States. The lure of the Chinese market coupled with a profound discontent with the American-led Iraq war and the perceived unilateral attitudes of the Bush administration had provided the official reasons. Underneath, there was an attempt by the political leadership of some powerful EU governments together with Chinese leaders to impart a long-term challenge to US primacy in key high-tech industrial and security-related sectors and create a solid foundation for the emergence of an international system characterized by multiple poles of influence. For some EU policy makers, this would help the political emancipation of the EU from Washington while establishing closer ties with China, something seen as conducive for better integrating China into international society. For Chinese leaders, a techno-political linkage with Europe would reinforce their regime, boost the country's comprehensive national power, and take advantage of the contradictions between the Western allies.

Turning Around

By Summer 2008, the EU–China techno-political linkage initiated in Autumn 2003 would be largely over. In Summer 2005, the proposal to lift the EU arms embargo on China would be officially shelved. In October 2006, in its fifth policy paper on China the European Commission attached for the first time clear political conditionality for the furthering of Sino–European relations and an eventual lifting of the arms ban. In December 2007, the Council of the EU released the 'Guidelines on the EU's Foreign and Security Policy in East Asia' which would, in essence, align EU foreign and security policy in China and East Asia on the position of the United States and its Asian allies. The last blow to the Sino–European 'love affair' of the period 2003–5 would be given by the European Space Agency and the European Commission in July 2008

through the publication of the procurement scheme for the second phase of Galileo. The tender information package would, in fact, exclude Chinese contractors from the manufacturing, services, and launch of the remaining 26 satellites of the EU-led global navigation satellite system. What had started in Autumn 2003 as the most important collaboration between the EU and China on space and high S&T had turned into fears of potential misuses of European technology by the People's Liberation Army (PLA) for its military space programme as well as diverging views as to a potential strategic rivalry between their respective satellite systems (Galileo vs Beidou).

In the span of a decade, the EU's China policy would thus go through three main phases: from constructive engagement (since the mid-1990s), to the peak of strategic partnership, including a techno-political linkage (2003–5), to a period characterized by pragmatic restraint and alignment with US position on China in the more strategic and security-related domains. This realignment can be seen as a consequence of the inability of the EU to reconcile the reasons of global (soft) balancing against the United States with the genuine concerns of the United States and its Asian allies regarding East Asia's strategic balance. The EU–China techno-political linkage would include, in fact, a political recognition of China and an understanding of the place and role of a rising China quite different from the view put forward by the US and its Asian allies. Such an idealist approach by the EU and its member states towards China (together with the material prospect of lucrative contracts for European companies) would conflict with the realities of a Hobbesian balance of power in East Asia unable to take in European nuances towards Beijing. In the end, this inability to reconcile different worldviews would make the EU unable to take a clear stance. The result was a postponement of the arms embargo issue until the conditions for the lifting would be there. Since then, the EU and its member states, unable to reach consensus on what kind of power China is and act consequently, would realign their foreign and security policy in China and East Asia to US positions, seen now as a safe harbour after the wreckage of the Chinese arms embargo affair.

Among these turns and twists, China would eventually come to represent one of the most prominent challenges for EU foreign and security policy and, more generally, for the emergence of the EU as a global actor. At this point some qualifications about the EU would be needed. While China as a foreign policy actor does not pose major analytical problems, the EU is indeed a unique political entity whose actorness, including its capacity to project its influence and power abroad, cannot be taken for granted. What is, after all, the EU? And how does it exert its foreign policy?

The EU as a Global Actor

Over the years, scholars have formulated different (and diverging) conceptualizations as to what entity the EU is and whether there exists a distinctive EU foreign policy as such.⁴⁴ Scholars have defined the EU as a 'partial polity', that is, a political entity which lacks, however, many of the features that we might expect to find in a traditional state.⁴⁵ Given its distinctive, if not unique, type of internationally-acting body, the EU has increasingly been studied as a particular kind of global actor. As Christopher Hill and Michael Smith argued:

Empirically the EU can be seen as one of the world's two economic 'super powers', and an increasingly significant influence in the realms of international diplomacy, 'soft security', and broader world order. Analytically, the Union poses major challenges by virtue of its status as something more than an intergovernmental organisation but less than a fully fledged European 'state'.⁴⁶

Since European countries have begun interacting in the framework of the European Political Cooperation (and later, the Common Foreign and Security Policy – CFSP) a number of concepts have been put forward by researchers in order to explain the international behaviour of the EC/EU. In 1977, scholars developed the concept of *actorness*, arguing that the EC/EU is indeed an international actor since it possesses the necessary structural prerequisites for action in world affairs: a legal personality, a distinctive diplomatic service (i.e. the European Commission delegations abroad) and the capacity to enter into negotiations with third parties.⁴⁷ In 1990, the concept of *presence* was proposed. Accordingly, the EC/EU would have a presence in international relations since it exhibits distinctive forms of external relations and, more importantly, it is perceived to be a significant player in the international system by other important actors.⁴⁸ But what kind of player? In 1972, the term *civilian power* was introduced, on the basis that the EC/EU should not try to imitate traditional power politics states, but rather seek to become an entity intent on spreading civilian and democratic values abroad.⁴⁹ Some scholars have added that military power would be both too expensive and too politically divisive for the EU. Instead, the EU should focus on its soft power capabilities, since it is very well placed for this.⁵⁰ Scholars have also introduced the notions of normative power and norms entrepreneur to describe the EU's foreign policy behaviour.⁵¹ Yet, researchers have pointed out the continuing importance of military power for the conduct of international relations, accusing the advocates of a civilian (and normative) power Europe of making a virtue out of necessity.⁵² More recently, the notion of the EU as a soft power has been questioned by analysing the empirical evidence of the

EU's military involvements abroad.⁵³ All these different interpretations signal, in essence, recognition of the arrival of the EU as a novel – though unfinished – foreign policy actor on the international scene. Having established that the EU is (though *sui generis*) a distinctive international actor, what are the characteristics of its foreign policy? And how do EU policy makers take decisions with regard to the People's Republic of China?

EU foreign policy has been defined as the activity that refers to the universe of concrete actions, policies, positions, relations, commitments, and choices of the EU in international politics.⁵⁴ EU foreign policy does not emerge from a single, authoritative source but comes in at least three forms or types of activity.⁵⁵ The first (pillar I) is the foreign policy (or external relations) of the European Community which covers principally trade, aid, and development relations with third parties. It is in this context that the European Commission releases its communications on China (five so far) and the *Country Strategy Paper* which contains the EU's development aid strategy. The political and security dimensions of EU foreign policy (since the Treaty of Maastricht, the CFSP – Pillar II) is intergovernmental, that is, it has remained under the authority of the EU member states.⁵⁶ It is within the CFSP framework that the proposal to lift the EU arms embargo on China is discussed.⁵⁷ Finally, there is a third type of EU foreign policy, namely the foreign policies of the EU member states themselves. As a result, each analysis of the EU foreign policy must include what Christopher Hill called 'the sum of what the EU and its member states do in international relations'.⁵⁸

Method

This book examines the interplay of the national and the EU levels in the elaboration of EU foreign and security policy towards China with the aim to piece together an accurate picture of the dynamics of common policy towards China, in particular in the economic, technological, and high politics domains. Particular emphasis is devoted to the large member states: Germany, France, the United Kingdom, and Italy. These are the EU members which have had the most prominent and enduring influence on the elaboration of the EU's China policy and which also have the greatest capacity to project their influence abroad (though to varying degrees). The large EU members (including Spain) are also those with which Beijing has established individual strategic partnership and annual summits. The large EU member states are also those with the more developed aerospace and defence sectors. Germany, France, and Italy (but also Spain to a certain extent) are the EU members which have more strongly supported the techno-political linkage with China,

both in the form of space and satellite navigation cooperation, and the proposal to lift the arms embargo (though the German government of Angela Merkel would eventually reverse the position of her predecessor regarding the proposal to lift). The choice to focus on the most powerful EU governments is thus dictated by the emphasis given by this study to the economic, technological, and security-related aspects of Sino–European relations which have traditionally seen the large EU members (in particular, the continental powers of Western Europe) at the forefront. In the case of China, the actors under consideration would be mainly the government (in particular, the Ministry of Foreign Affairs and the Ministry of Science and Technology) and the PLA.

There are a number of limitations with this approach that need to be recognized at the onset. First of all, the focus is on macro processes, generally referring to states or to national representatives and, in the case of the EU, the European Commission. Little space is devoted to inter- and intra-group dynamics, in particular at the European level where they play an important part (with the exception of the EU's Taiwan policy discussed in Chapter 7). But this would require a different book. Secondly, this study gives little attention to the role played by non-state actors, which is admittedly a limitation but justified here with a concentration on the systemic level. Thirdly, the focus on macro conditions and the systemic level does not allow for too many nuances and problematizations in the analysis of foreign policy, both within China and, more importantly since it is a *sui generis* actor, in the case of EU member states' foreign policies. The study does, in fact, gloss over differences among various European actors and within EU members that the careful reader would notice immediately. However, this is done in order to keep the research in focus and to maintain the level of analysis at the macro level.

Material for this study includes primary sources and secondary literature. Empirical data and information not openly available have been collected through fieldworks and a large number of interviews (around 100) carried out in Europe (Brussels, London, Paris, Berlin, and Rome), China (Beijing and Shanghai), Japan (Tokyo), South Korea (Seoul) and the United States (Washington) in the period 2004–9. Qualitative interviewing (both semi-structured and unstructured), mainly off the record, has been used for glean-ing information directly from policy makers. Complete anonymity was guaranteed to all interviewees. This does not allow, unfortunately, for the disclosure of many names, though some are quoted after receiving permission to do so. This study has also relied on official documents and secondary sources for putting interviews into context and analyse the broad trends. Finally, participation in academic and policy-oriented conferences has provided useful material and insights from both scholars and practitioners,

though the use of the 'Chatham House' rule will make it again impossible to name the source of the information. While this book examines EU–China relations, the perspective adopted is mainly European. This is reflected in the structure of this book. The chapters begin with the analysis of the European position and then discuss the Chinese perspective. The viewpoint of the United States (and of Japan, South Korea, and Taiwan, when relevant) is present throughout, in particular in Parts II and III of this book dealing with the implications of EU–China relations for East Asia and the United States.

To examine the development of EU–China relations and its global implications, the method of process tracing has been used. This is a procedure designed to identify processes linking a set of initial conditions to a particular outcome.⁵⁹ The main goal of process tracing is to establish and evaluate the link between different factors. In an interpretivist perspective, this method provides for ways in which this link manifests itself and the context in which it happens.⁶⁰ Thus, the focus is both on what happened and how it happened, allowing for an examination of the reasons that policy makers would give for their actions and behaviour. The ultimate goal of process tracing is to provide a narrative explanation of a causal path that leads to a specific outcome.⁶¹ For instance, the development of a techno-political linkage between the EU and China since Autumn 2003 would produce an unexpected outcome (for EU policy makers at least) and lead the EU to be perceived as a novel strategic factor in East Asia due to the connections made by the United States and its Asian allies between the promotion of EU space and defence interests in China and East Asia's strategic balance, connections which were not held, overall, by the majority of EU policy makers. By tracing the process leading to this asymmetry in perceptions and causal links, in particular between the transatlantic allies, it is explained why the United States and its Asian allies reacted so strongly, in particular against the proposal to lift the EU arms embargo on China, and why the Europeans were taken largely by surprise. By using this method, it is hoped that the reader will gain a better understanding of the processes leading to the development of EU–China relations, in particular in the strategic and security-related spheres, and their perceived implications for the United States and its Asian allies.

Structure of the Book

This book comprises of nine chapters, divided equally in three parts.

Part I traces the evolution of the relationship. Chapter 1 sets the context by presenting an overview of the first twenty years of Europe–China relations; that is, since their inception in 1975, when the European Community and the

People's Republic of China established formal diplomatic relations, until 1995 when the EU adopted its first document on China and ushered in a policy of constructive engagement with Beijing. Chapter 2 examines the approach adopted by the EU both at the bilateral and inter-regional level in order to engage China in the post-Cold War as well as the new securitization discourse that emerged both in Europe and China which would underpin the widespread engagement policy adopted by the two sides since the mid-1990s. Chapter 3 concentrates on the interplay between business and politics which has come to characterize Sino-European relations since the beginning, resulting in a quid pro quo between European business interests (backed by their respective governments) and Chinese leaders (in the form of political concessions and silence over sensitive issues). Such trade-off would largely allow for the dramatic boost in economic relations which, in turn, would lay the basis for the subsequent upgrading of political relations.

Part II concentrates on the establishment of strategic partnership. Chapter 4 focuses on the EU-China strategic partnership established in Autumn 2003 which upgraded relations between the two sides by including a techno-political linkage in the form of space and satellite navigation cooperation and the attempt to exploit commercial and defence-related opportunities by proposing to lift the EU arms embargo on China. Chapter 5 examines in detail EU-China space and satellite navigation cooperation, including the strategic implications of such initiative for US space primacy. Chapter 6 delves into the debate surrounding the proposal to lift the Chinese arms embargo, the question of arms sales to China and the changing perceptions of the EU among East Asian policy makers.

Part III focuses on the implications of the EU-China techno-political linkage for East Asia's major powers and the United States. Chapter 7 examines Europe's traditional involvement in East Asian security affairs, including the Taiwan question, and compares it with the novelty (in the eyes of East Asian policy makers) represented by the promotion of EU space and defence interests in China and its perceived implications for a regional environment largely characterized by a zero-sum game and balance of power logic. Chapter 8 traces the process of realignment of the EU's foreign and security policy in China and East Asia on the position of the United States and its Asian allies following the shelving of the proposal to lift the Chinese arms embargo in Summer 2005. Chapter 9 traces the process leading to the temporary halt and political readjustment of Sino-European satellite navigation cooperation occurred in July 2008 with the decision to exclude Chinese contractors from the second phase of implementation of Galileo. With this move, what had remained of the techno-political linkage initiated in Autumn 2003 would eventually begin to fade away. The final chapter also offers a

reassessment and evaluation of EU–China relations; arguing that the time has come to search for a new direction, which would take into consideration the lessons of the past, but be firmly grounded in the future prospects of the relationship. At this historic juncture, characterized by global economic crisis and waning US power, developing a positive partnership between the EU and China has become, more than ever, a matter of global significance.

This page intentionally left blank

Part I

Evolution

This part traces the evolution of the main forces at work in Europe–China relations since their inception in 1975 when the European Community and the People’s Republic of China established formal diplomatic relations. During the 1970s and 1980s, Europe–China relations would be derivative of broader relations with the two superpowers. Chinese leaders tended to use relations with European countries as part of their policy to gain strategic advantage vis-à-vis the Soviet Union and the United States. By the same token, both Western and Eastern Europe’s relations with China were derivative of their respective ties with Washington or Moscow. As a result, Sino-European relations during the Cold War were largely seen as of secondary significance. The demise of the Soviet Union would thus open up new possibilities for the development of the relationship. Since the mid-1990s, the EU and China have adopted a firm policy of widespread engagement vis-à-vis each other both at the bilateral and multilateral (region-to-region) level. New notions of economic security that emerged in the post-Cold War era would provide the intellectual underpinning for the elaboration of a new securitization discourse between the two sides. In Europe, this discourse would tie the protection of the EU’s economic security and overall socio-economic welfare position with China’s steady and sustainable development. In China, this securitization discourse would engender a linkage between the development of economic and technological relations with Europe and China’s modernization and comprehensive national power. The prioritization of economic relations based on this securitization discourse would bring about a remarkable increase in two-way commercial exchanges leading, in turn, to an overall improvement and upgrading of political relations. While trade relations would increase at a dramatic speed, the relationship would come to be characterized by a trade-off between business and values. The EU member states (in particular the large ones) would tend to adopt commercial strategies vis-à-vis China aimed at promoting their national companies’ business interests. Such a mercantilist strategy would be skilfully exploited by the Chinese leadership in order to obtain political concessions, usually in the form of silence over sensitive issues pertaining to China’s domestic affairs (human rights’ record, political liberalization, Tibet, Xinjiang, etc.) or national pride (Taiwan). Since the mid-1990s, there has thus been a quid pro quo between European business interests (backed by their respective governments) and the Chinese political leadership.

From Cold War Constraints to New Possibilities

THE BEGINNING

The People's Republic of China and the European Community (EC) established official diplomatic relations in 1975 at an important historical moment for both sides. Beijing had entered into an anti-Soviet partnership with Washington in 1971–2. The six original members of the European Community (Germany, France, Italy, the Netherlands, Belgium, and Luxembourg) had launched the European Political Cooperation (EPC) process – as the forebear for the future common foreign and security policy – in 1970. In 1973, the European Community enlarged to include Denmark, Ireland, and the United Kingdom while the European Parliament (EP) would have its role bolstered with the first direct elections scheduled for 1979. In 1974, EC heads of state and government agreed henceforth to convene as the European Council, a *de facto* executive for dealing with the most important matters and for setting the agenda of the whole European integration process. Moreover, the European Commission had been authorized to collect its own revenues and to advance into new areas of cooperation such as common trade policies. In this context, some scholars interpreted the establishment of diplomatic relations between the EC and the PRC, in September 1975, as the acknowledgement of 'each other's future international potential'.¹ Chinese leaders hoped that the European Community would assume a higher political profile in world affairs, thereby helping to play a more active role in containing the Soviet Union while contributing to the PRC's own economic and technological modernization. The launching in 1975 of Prime Minister Zhou Enlai's 'four modernisations' led European policy makers to hope that an incipient opening up of the potential greatest market of the world was imminent. Besides expectations stemming from China's new commercial potential, Western Europe's interest in developing relations with China was predicated on the legitimate grounds that China's economic reforms could be expected to presage change in the political domain.

Further developments in Chinese domestic politics would support this reading and further impact on the evolution of the relationship. By July 1977, Deng Xiaoping had regained its position as Vice-Chairman of the Chinese Communist Party (CCP) by the Third Plenary of the Tenth Central Committee. The following year, the Third Plenary of the Eleventh Central Committee confirmed the victory of Deng's pragmatic line over what remained of the so-called 'Gang of Four'. As a result, Beijing embarked on an active policy of improving relations with all countries outside the Soviet orbit, establishing full diplomatic relations with the United States and trying to commit Japan to a more pro-active anti-Soviet line. In such a context, Chinese leaders began to perceive Western Europe through the prism of Beijing's national security. Consequently, China would become an advocate of the North Atlantic Treaty Organization (NATO) in order to ease Soviet pressure from the tense Sino-Soviet border. In Mao's three-world view, Europe belonged to the second world and as such could be mobilized into a worldwide anti-Soviet front. Mao enunciated its three-world view in 1974, by adapting the 'intermediate zones' concept of the early 1960s. In such a worldview, the United States and the Soviet Union were in the First World, Europe and Japan in the Second World, China with the rest of Asia and Africa were in the Third World. In the second part of the 1970s, the idea of having a 'second world' partner against first world hegemons was in line with traditional Chinese attitude of 'making friends with distant countries in order to facilitate attacking the neighbouring foe', (*yuan jiao gong*).²

From the mid-1970s, Chinese officials would also encourage European policy makers to spend more on defence in an open anti-Soviet move. Chinese leaders would oppose any Western moves towards *détente* with Moscow and strongly support NATO. Such an attitude would allow China to access European defence suppliers and the North Atlantic alliance's bases. The PLA was primarily interested in NATO's frontier defence planning against a Soviet land invasion, the use of battlefield tactical nuclear weapons and anti-tank technology. At that time, Beijing purchased anti-air and anti-tank missiles from Italy and West Germany, radars from France, and jet-fighter engines and technologies from Great Britain.³ This was possible since following the re-establishment of US-China diplomatic relations, Washington had accepted that its Western European partners sold certain weapons to the PRC which the United States itself, due to domestic constraints, was still unable to sell. These moves led the Assembly of the Western European Union (WEU) to consider the emerging security issues in Europe-China relations. The WEU had been founded in 1954 as a collective security pact by the United Kingdom, France, the Benelux States, Italy, and Germany, succeeding the previous Brussels Pact uniting the former three against a possible

resurgence of German militarism. In May 1978, the Assembly of the WEU tabled a draft resolution recommending a careful examination of the role that China could play regarding European security, including favourable considerations of the rising Chinese demands for industrial technology.⁴ This move signalled that since the onset, security and strategic considerations played a role in Sino-European relations.

Further developments in both Western Europe and China moved the relationship onto a further stage. In 1979, under the impulse of France and Germany, the European Monetary System (EMS) was devised, as a first step towards monetary union. In 1981, Greece joined the European Community, followed by Spain and Portugal in 1986. This further enlargement brought the total number of EC member states to twelve. In the early 1980s, further initiatives towards enhanced political cooperation were taken and in 1986 the EC member states adopted the Single European Act (SEA). At the same time, the PRC had gone through three important policy shifts. In 1978, Deng Xiaoping had reaffirmed the primacy of economic development over all other policies. Four years later, in 1982, China started adopting a more independent stance vis-à-vis both superpowers, a line that was subsequently approved by the Twelfth CCP Congress in September 1982. In the mid-1980s, another major policy shift occurred: starting with the assumption that the world was going through important changes, Deng Xiaoping officially did away with the Maoist thesis of the inevitability of a nuclear world war and became more supportive of disarmament and *détente* as a matter of principle. In these new circumstances, Europe as a whole was to be given special consideration. According to Deng himself: 'In analyzing the international situation, we pay particular attention to Europe, for Europe plays a key role in determining if there will be peace or war. Both Eastern and Western Europe need to develop, and the more they develop the stronger force for peace they become'.⁵ From the mid-1980s onwards, Chinese leaders would be attracted by Western Europe's potential role as a new pole in a future multipolar world, and not only as a bulwark against Soviet hegemony.⁶ Some Chinese scholars would argue for a multipolar perspective in international relations and had interpreted the role of a united Europe as a compromise between the traditional dependence on the United States and greater autonomy in the future. This was not only due to China's own strategic considerations, but also to the growing realization that the European integration process would have a major role to play in the gradual political emancipation of Eastern Europe from the Soviet Union.⁷

The theme of a united Europe appeared in official Chinese statements from the second half of the 1980s. In April 1985, Deng Xiaoping stressed the importance of a 'strong and united Western Europe', while CCP

Secretary-General Hu Yaobang in 1986 declared his wish for 'Eastern and Western Europe uniting and jointly conducting a policy of independence and self-reliance in opposition to war'.⁸ Moreover, in May 1987 speaking during an official visit to the Netherlands, Prime Minister Zhao Ziyang declared that: 'The unification of Europe, its growth and strength, the strengthening of the cooperation between China and Western Europe, and the rapprochement between Eastern and Western Europe will play an important role for the maintenance of global peace'.⁹ Later, Deng Xiaoping called for the establishment of a 'united, strong and developing Europe'.¹⁰ It was in this context of growing expectations for a united Europe that Chinese leaders began to strengthen relations with the different institutions of the EC. In 1983, high level consultations at the ministerial level were launched to address a wider range of issues. Furthermore, biannual meetings were initiated between the political affairs directors of the country holding the EC presidency and the Chinese ambassador to the country concerned. Also in the early 1980s, Chinese leaders started establishing relations with the EP through an exchange of delegations with the National People's Congress (NPC). Although the EP did not play a major role in the European integration process, nonetheless it consistently supported the strengthening of Sino-European ties. In 1975, Sir Peter Kirk, leader of the first British team in the EP, declared that the establishment of official diplomatic relations between the European Community and China was 'probably the most far-reaching event to take place in the field of the Community's external relations'.¹¹ In this vein, the European MPs would urge the European Commission, back in the second half of the 1980s, to promote China's re-entry into the General Agreement on Tariffs and Trade (GATT).¹²

China's professional community of Europe specialists also began to take shape during the 1980s, along with the more general development of area studies. The Institute of West European Studies was established in the Chinese Academy of Social Sciences (CASS), a national Association of European Studies was founded, and European sections were developed in the principal international relations research institutes.¹³ In the early 1980s, Chinese international affairs specialists also began to put forward the idea that the US defence build-up had begun to stabilize the balance of power between the superpowers. These analysts perceived the emergence of an increasingly multipolar world order as the defining feature of the international system of that period. For China this meant that close alignment with the United States and NATO was not as necessary to Chinese security as had been the case during the previous decade. The gradual thaw in Sino-Soviet relations further contributed to this reading.¹⁴ In this perceived new multipolar world order, Chinese scholars saw Europe as constituting one of the poles. Accordingly,

Western Europe could act as a counterweight not just against Moscow but against the United States as well. In this sense, China's relations with Western Europe 'could be seen as being pursued as a means to exploit fissures in their relations with the United States, a latter-day version of "using the barbarians to control the barbarians" (*yi yi zhi yi*)'.¹⁵

Such a view reflected China's desire for the suppression of the bipolar world order and the creation of an international system in which regional powers such as China would play defining roles. However, according to David Shambaugh, in the case of Western Europe such perceptions seriously underestimated two factors. First of all, Chinese leaders overestimated the political unity of Western Europe while rarely taking into consideration the divergences among member states. Secondly, China held the view that Western Europe was independent from the United States within NATO. There was an underlying assumption prevalent among many of China's Europe specialists that NATO was an organization forced upon Europeans by Americans.¹⁶ This assumption led Chinese leaders to cultivate anti-American sentiment within Europe in an attempt to drive a wedge between Washington and its allies. In the words of Huan Xiang, former Chinese Ambassador to Belgium, Luxembourg and the European Community 'the positions and interests of the allies on the two shores of the Atlantic do not actually have much in common'.¹⁷ This reading was based on a biased perception of the forces at work within Europe. It is not surprising that Huan Xiang was giving these remarks in France, a country that historically sought to distance itself – and tried to convince the rest of Europe as well – from too strong an American embrace. It is therefore possible that some of these misperceptions emerged as a consequence of personal and intellectual ties that parts of the Chinese leadership had developed over time with the French political and cultural elites.

While China sought to cultivate anti-Soviet elements in Europe during the 1970s, in the 1980s increased efforts were made to woo anti-American and anti-militarist elements. A new strategy of cultivating the European Left was put forward by Beijing during the 1980s. Proponents of European integration and anti-militarism were viewed by Beijing as natural allies in its new strategy to accelerate the world's trend towards multipolarity. These political dynamics were accompanied by an important economic policy shift. In an attempt to diversify its growing dependence on Japan and the United States for imported technology, China began to increase its commercial ties with Western Europe. Back in April 1978, a trade agreement had been signed with the European Community, which offered Most Favoured Nation (MFN) access and included China in the Community's Generalized System of Preferences (GSP) provisions from 1980, in stark contrast with Beijing's exclusion from

the GSP of the United States. In 1985, the European Community and China signed a Trade and Cooperation Agreement (TCA) which covered economic and trade relations as well as the EC–China cooperation programme. In 1987, Sino–European two-way trade totalled \$13 billion. Of this amount, Chinese imports from Western Europe had grown by 169 per cent from 1980 to 1987. This represented around 15 per cent of China’s total foreign trade but a mere 1 per cent of total European Community trade. Among Western European states, Germany gained the upper hand, accounting for nearly 40 per cent of European trade with China.¹⁸ The trend had however been set and the 1980s witnessed a gradual and persistent growth of economic relations between China and Western European countries, until the events of Tiananmen Square dealt a temporary blow to the relationship.

TIANANMEN

The People’s Liberation Army (PLA) crackdown on students’ demonstrations of 4 June 1989 had a considerable impact on Sino–European relations. In the aftermath of the massacre, the EC responded by imposing a range of sanctions that paralleled those of the United States, although cultural exchanges were not officially suspended as was the case with the United States. At the European Community’s summit in Madrid on 26–27 June 1989, European leaders agreed to impose punitive economic sanctions individually and in the framework of the EC, suspend all military contacts and arms sales, withhold all ministerial-level official visits to China and defer those already scheduled, freeze all government-guaranteed loans, and issue a strong statement condemning the massacre.¹⁹ The events of Tiananmen Square caused particular problems to the French and British governments. France gave sanctuary and political asylum to numerous Chinese students and intellectuals involved in the pro-democracy movement and this caused strains in Sino–French relations. The British government was in a very delicate position since London and Beijing were involved in sensitive negotiations over the content of the Hong Kong Basic Law and other important details related to the retrocession of the British colony to Chinese sovereignty. In the aftermath of the massacre, hundreds of thousands of demonstrators flooded the streets of Hong Kong for unprecedented demonstrations against Beijing and this put a lot of pressure on the British government.²⁰ Notwithstanding these events, on 4 July 1989 the European Community announced its intention to re-establish political contacts with China. On 28 September 1989, Italy’s Foreign Minister, Gianni De Michelis, met with his colleague Qian Qichen at the margins of the United

Nations (UN) General Assembly for discussion on the prospects of resuming political contacts and strengthening the ties between the European Community and China. The Italian government had also started lobbying the other EC member states for relaxing sanctions against China. This conciliatory attitude was predicated on the idea that it was necessary to continue engaging China in the hope that this would accelerate political changes in Beijing. As such, some European governments felt that the Tiananmen massacre, though deplorable, should not sour bilateral relations for too long. In the months following the massacre, Beijing made a small number of minor changes to its human rights legislation and these would eventually be received by the EC as a sufficient justification for restoring normal relations. Furthermore, following the Group of Seven (G-7) summit and President Bush's declaration that the United States would not oppose the allies' lifting of sanctions, the European governments reinitiated ministerial contacts and government-backed loans. On 22 October 1989, EC foreign ministers decided to gradually resume economic cooperation and to re-establish high-level contacts. Arms sales and military contacts remained frozen, but ministerial and heads of state visits resumed. By Summer 1990, most of the European sanctions would be lifted with the exception of the arms embargo. As a result, China became much less vociferous in its condemnation of Europe than of America, although it did blame European countries for the economic sanctions adopted that had caused a sharp reduction in two-way trade.²¹ The normalization of relations with China after the events of Tiananmen Square took place in a relatively short time and amid profound changes in the international system. The fall of the Berlin Wall in November 1989 put an end to the Cold War in Europe. The subsequent demise of the Soviet Union in August 1991 brought to an end the bipolar era.

THE EARLY 1990s

In Europe the end of the Cold War meant new possibilities for Central and Eastern European countries. The future of NATO was being questioned as well as the United States' willingness to remain committed to Europe's defence. The German reunification cast doubt on the principle of territorial integrity enshrined in the Final Act of the Conference on Security and Co-operation in Europe (CSCE) held in Helsinki in 1975. At the same time, the United States was applying pressure for greater European support in military operations beyond the alliance's traditional concerns, as the allied intervention in the Gulf in 1991 later demonstrated. In this period, the European Community

embarked upon a process of deepened integration with the aim to raise its international profile. After the reunification of Germany (*Wiedervereinigung*) and the de facto entry of Eastern Germany into the EC, in June 1990 negotiations were launched in Dublin on the establishment of the Economic and Monetary Union (EMU) and of a political union. The Common Foreign and Security Policy (CFSP) also featured on the agenda of the 1991 Intergovernmental Conference on Economic and Monetary Union (EMU) and EPC in Rome, and proposals were made for the incorporation of EPC into the Community system. Signed on 7 February 1992, the Treaty of Maastricht laid the foundation for the CFSP and a future common defence policy. The Treaty devised a new political community – the European Union – axed on a ‘three pillars’ structure: European Community/EMU (first pillar); CFSP (second pillar); and cooperation in judicial and home affairs (third pillar). Each pillar was under the direction of a different institution and each had its own decision-making process. Under the new Treaty, the European Council was to decide what areas should become areas of joint action and define matters on which decisions were to be taken by a qualified majority.²² The European Commission was accorded a right of initiative on CFSP matters.²³ The WEU was requested to elaborate and implement decisions and actions which would have defence implications.²⁴ The development of such common defence policies would take place within NATO, with members being offered dual membership. Denmark and Ireland, for instance, which did not want to join the WEU as full members, were granted observer status.²⁵ With regard to CFSP, the pillar structure meant that the EP and the European Court of Justice were excluded from involvement in it. With CFSP defined as a separate pillar of the European Union, cooperation was to operate on inter-governmental lines. The glaring paradox, highlighted by several scholars, was that there was a fundamental ambiguity insofar that a single institutional framework was an objective countermanded by the pillar structure in theory, and, as later became clear, by policy making in practice.²⁶ This ambiguity was clearly manifested in the external representation of the EU, which was the shared responsibility of the Presidency and the Commission, the latter being in charge of areas falling within the competence of the EC (mainly trade and development aid), and the Presidency representing the European Union in CFSP matters (high politics, including the more security-strategic related issues).

These developments in Europe were carefully analysed by Chinese scholars and policy makers.²⁷ The fall of the Berlin Wall in November 1989 had caught Beijing as much by surprise as the rest of the world. Official reports at that time vacillated between echoing concerns about German reunification and veiled criticism of both NATO and the Warsaw Pact for devising schemes to

prevent Germany's reunification.²⁸ By 1993, some Chinese scholars had identified Germany as the dominant power in Europe and as such involved in a big power sharing world leadership with the United States.²⁹ Chinese scholars also started to consider the European Union as a more promising partner for Beijing on the road towards multipolarity. The idea emerged among Chinese experts of Europe that Maastricht was mainly a German initiative by which Bonn had replaced Paris as the engine of the European integration process, thus changing the EU's internal power relations. In addition, they would remark that the introduction of a common currency would divide the European Union into two separate camps, and its widening would further contribute to a Europe at two different speeds.³⁰ As far as enlargement was concerned, Beijing applied the familiar multipolarity yardstick: accession to the EU by the Central and Eastern European countries was welcomed, accession to NATO was not.

In March 1992, both Li Peng, China's Prime Minister, and Qian Qichen, the Chinese Foreign Minister, visited Western Europe, and Qian's itinerary included Germany and the European Commission in Brussels. In a speech given at the German Council on Foreign Relations (DGAP), Qian Qichen outlined his views of the China–EU relationship. First of all, he argued, 'both support the transition process from a bipolar to a multipolar system of international relations'. Secondly, they are 'both promoting a peaceful and stable international environment and tend to solve global problems through consultations rather than the use of force'. Thirdly, China and Europe acknowledge 'the UN's leading role in conflict resolution'. Fourthly, the two sides are 'highly complementary in economic terms'.³¹ Chinese leaders were greatly interested in the development of economic ties – especially the transfer to China of European capital goods and technological know how needed for China's modernization. It was also clear in their eyes that the relationship should aim at rebalancing international power relations, while European policy makers seemed to be less prone to engage in discourses pertaining to the structure of the international system. They would prefer, instead, to concentrate on the commercial potentialities of the Sino–European relationship. The only notable exception would be represented by the French political elite which began perceiving the growth in EU–China relations as an opportunity for advocating the advent of a new international system based on multiple poles of influence among which the EU and China would be two of the most important ones.

Besides the rhetoric of multipolarity, it was the promotion of economic ties that became paramount in the development of Sino–European relations in the first part of the 1990s. With the exception of arms sales, cooperation and trade relations had been restored by 1991. Negotiations for China's GATT

accession, which had been broken off in 1989, were also restarted in 1991. The value of Chinese imports accorded GSP preferences increased from 2.9 billion Ecu in 1989 to 14.1 billion Ecu in 1994.³² Also the EU's aid to China increased significantly in the first half of the 1990s. While two-way trade would grow dramatically, political relations received a boost. Military contacts were resumed in 1994 and an official exchange of letters initiated a broad political dialogue in recognition of the two sides' emerging status in international politics. During that period, the only explicit form of pressure that survived the immediate reaction to the Tiananmen Square events was the EU's practice of tabling a resolution criticizing China's human rights record in the annual meeting of the United Nations Commission on Human Rights (UNCHR). Pressure at this stage was exercised principally by the United Kingdom in relation to the post-transition provisions for Hong Kong and the Netherlands and Denmark in relation to China's human rights record.

On 12 September 1994, Jiang Zemin, the Chinese President, spelt out the 'Four Principles for the Development of the Relationship between China and Western Europe'. They included: (a) development of relations with a view to the twenty-first century; (b) mutual respect, search for common ground, downplaying of differences; (c) mutual benefit; and (d) resolution of all international problems through consultation and cooperation.³³ Interestingly, the Four Principles were declared in Paris, instead of Brussels. The aim of such a gesture was double. Firstly, it officially signalled the mending of Sino-French relations after the row over French arms sales to Taiwan at the beginning of the 1990s. Secondly, it conveyed the message that for Beijing what still mattered was the relationship with the individual states of the EU, especially the large ones. Relations between the large EU members (the so-called 'big four': Germany, France, the United Kingdom, and Italy) and China would significantly affect the evolution of Sino-European relations in the first part of the 1990s and the subsequent elaboration of the EU's new China policy.

THE BIG FOUR AND CHINA

The fleeting bilateral ties between some of the large EU member states and China characterized Sino-European relations in the first half of the 1990s. Sino-British relations, for instance, had been strained by the problems related to Hong Kong's takeover scheduled for 1997. The events of Tiananmen Square in 1989 raised anxieties in London about the future of Hong Kong and the protection of its residents' freedoms. The appointment of Chris Patten as the

new Governor-general of Hong Kong in 1992 worsened Sino-British relations further. The pro-democracy activism of the Governor was manifested in the moves to introduce political freedoms in a more democratic Legislative Council than what Beijing had envisaged in 1984. The British proposal to introduce the right to abode for Hong Kong residents in the United Kingdom, as well as Patten's unilateral actions on constitutional reform in Hong Kong created the conditions for the escalation of diplomatic tensions between London and Beijing. In 1994 the Chinese government threatened to discriminate against Britain over trade matters. At that point, the European Commission and some EU member states intervened by warning China that it could not expect to isolate the United Kingdom. London and Beijing eventually began discussions to hammer out their differences and from 1995 onward relations between the two sides started to improve.³⁴

It was France, however, which experienced the sharpest decline in relations with Beijing during the early 1990s. Tensions over the harbouring of Chinese dissidents were compounded in 1992 when France decided to sell sixty Mirage 2000 fighter-interceptors to Taiwan (a deal worth \$3.8 billion). This followed the \$4.8 billion sale of sixteen LaFayette frigates to the Taiwanese navy in 1991. Beijing reacted harshly. It condemned Mitterand's 'short-sighted Socialist government' for 'forgetting principles for the sake of interest' and 'violating the principles which were highly respected by all French governments since that of Charles de Gaulle'.³⁵ Following these statements, China announced the closure of the French Consulate General in Guangzhou and barred French companies from bidding for the contract to build the subway system in the same city. In March 1994 relations were further strained by the sale to Taiwan of \$2.6 billion more in advanced weaponry, including Exocet, Crotale and Mistral missiles, torpedos, anti-submarine sensors, and electronic warfare equipment. For fear of serious commercial reprisals from Beijing, the new Balladour government eventually decided to invert this downward spiral trend publicly reaffirming China's sole and inalienable sovereignty over Taiwan and committed the French government to no further arms sales to the island. After France's about turn, Sino-French relations resumed, the Guangzhou Consulate reopened and a state visit by Prime Minister Balladour to China took place in the Spring of 1994. It was in this context that Jiang Zemin spelt out the 'Four Principles for the Development of the Relationship between China and Western Europe' in Paris in September 1994, with the clear aim to promote Sino-European ties and mend Sino-French relations.

In contrast to the United Kingdom and France, Germany and Italy had succeeded in maintaining a less volatile political relationship with Beijing. This was helped by the absence of strategic interests and the lack of a wide-ranging colonial past in the region. Rome and Berlin had resumed relations

with Beijing in the immediate months following the events of Tiananmen Square. Gianni De Michelis, Italy's Foreign Minister at the time of the Tiananmen crackdown on students, was the first Western foreign minister to visit Beijing in 1989 after the massacre. In search of commercial advantages and in tune with its traditional role as a trading nation, the Italian government eventually began resuming political relations with Beijing and lobbying the other EC members as early as Summer 1989 in order to ease sanctions against Beijing.³⁶ Italy's rather conciliatory and pragmatic attitude toward Beijing was no exception. Germany had in fact adopted a similar approach since the 1950s.

The German government had traditionally concentrated its energies on building good economic and political relations with Beijing. This pragmatism can be seen to go back to 1955, when despite the Hallstein doctrine that denied diplomatic recognition to all states that recognized East Germany, the Federal Republic established a trade office in China. This pragmatic economic policy soon paid good dividends. By 1966, West Germany was China's major European trading partner. In the 1980s, it was estimated that almost 50 per cent of the foreign technology imported into China came from West Germany. Sino-German commercial relations would largely benefit from Berlin's strategy to avoid raising confrontational issues with Beijing and to reaffirm the 'one China' policy on many occasions.³⁷ For instance, in January 1993 Chancellor Kohl refused to approve the sale of ten submarines and ten frigates to Taiwan in order not to upset relations with the PRC. Thus, unlike the problems experienced by the United Kingdom over Hong Kong or the tensions experienced by France over Taiwan, Germany would tend to avoid upsetting Beijing on issues pertaining to China's sense of sovereignty and national pride.³⁸ According to Christoph Nesshöver, this pragmatic approach by Germany vis-a-vis China was founded on three principles: (a) silent diplomacy – that is, no confrontation with Beijing on human rights or other sensitive issues; (b) change through trade – that is, encouraging political liberalization in China via economic development; and (c) a strict 'one China' policy – that is, without conceding to the pro-Taiwanese lobby.³⁹ This strategy of depoliticizing economic relations with Beijing brought home tremendous commercial results: German exports to the PRC doubled between 1992 and 1994, from DM 5.7 billion to DM 10.2 billion. By the mid-1990s, Germany had become, by far, China's most important European trading partner.⁴⁰

This pragmatic German approach characterized by a non-confrontational attitude on sensitive issues such as human rights, political democracy, and Taiwan, would be eventually adopted also by those EU member states that in the aftermath of Tiananmen had been more vociferous about China's human rights record (as in the case of the United Kingdom and France) or had sold

sensitive items and arms to Taiwan (as in the case of the French government). For instance, the British Secretary for Trade and Industry, Michael Heseltine, visited China in 1994 with a delegation of 130 businessmen. During the visit, he avoided raising the contentious issue of China's human rights record and reiterated Britain's commitment to the 'one China' policy. As a result, the visit ended with an important number of contracts being awarded to British companies and investors.⁴¹ Also France made a reversal of its China policy and began adopting a more pragmatic and conciliatory attitude, in an attempt to follow Germany's example of seeking to maintain good political relations with Beijing. As discussed earlier, from a policy of leaning towards Taiwan, France shifted to a more unconditional support to the mainland. The joint France–China *communiqué* issued after the state visit to China by French Prime Minister Edouard Balladour in Spring 1994 committed Paris to abide by the 'one China' policy and to refrain from selling new arms to Taiwan. This more pragmatic and non-confrontational approach vis-à-vis China adopted by the large EU member states by the mid-1990s would eventually have an impact on the elaboration of the EU policy of engagement towards Beijing put forward by the European Commission in 1995. A policy of engagement which was not limited to China alone, but which would include the emerging economies of Asia as well.

NEW POSSIBILITIES

In 1993, Germany became the first EU member state to elaborate a strategy towards Asia. In the *Asien Konzept der Bundesregierung*, the German government outlined the new significance of the Asian markets for Europe. This had become evident since 1992, when the EU trade with Asia overtook EU–US trade for the first time. The German concept paper stated that Germany – and Europe as a whole – had to face the challenge of an economically thriving Asia and 'strengthen economic relations with the largest growth region in the world'.⁴² The view was held in Bonn that Germany's economic interests would increasingly depend on the ability of German companies to enter into Asian markets. Because of the sheer magnitude of Asia, it was felt that the Federal Republic had to necessarily work through the EU in order to increase its political and economic leverage vis-à-vis the region. The German document acknowledged Asia's increasing economic and political assertiveness. As a consequence, Bonn pointed out the need for Germany – and the EU – to engage Asian countries in a more constructive way and step up high-level visits to the region. While the United Kingdom and France had been

traditionally known for their leaning towards Asia resulting from their past involvement in the region, this German interest was something of a novelty. Following up on Germany, the French Minister for Industry, Gérard Longuet, while visiting Beijing and Hong Kong in 1994, launched a new strategy called 'Ten Initiatives for Asia'. Furthermore, France's Foreign Minister, Hervé de la Charette, announced in 1995 that Asia would receive special attention as the *nouvelle frontière* of French diplomacy. In the same period, also other EU members started to prioritize the development of relations with Asian countries. Concurrent with initiatives by individual EU member states, the European Commission released its Communication *Towards a New Asia Strategy* in 1994 with the aim to strengthen the Union's economic presence in Asia, contribute to the stability of the region, and promote economic development, consolidation of democracy, and respect for human rights in Asia.⁴³ The New Asia Strategy adopted by the European Commission covered twenty-six countries grouped according to three geographic regions: the eight countries and economies of East Asia (China, Japan, North and South Korea, Mongolia, Taiwan, Hong Kong, and Macao); the ten countries of South-East Asia (Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand, Cambodia, Laos, Vietnam, and Burma/Myanmar); and the eight countries of South Asia (India, Pakistan, Bangladesh, Sri Lanka, Nepal, Bhutan, Maldives, and Afghanistan). The rationale that the European Commission gave for the EU's new engagement towards this vast and complex region was pretty clear: 'To keep Europe in its major role on the world stage it is imperative to take account of the emergence of these new Asian powers . . . It is therefore essential that the Union develops the capacity to play its proper role in the region'.⁴⁴

In the framework of the New Asia Strategy, on 5 July 1995 the European Commission released its Communication *A Long-Term Policy for China–Europe Relations* which ushered in a new era in Sino–European relations.⁴⁵ With the aim to put the EU member states' relationships with the PRC into a 'single integrated framework', the Commission declared that relations with China 'are bound to be a cornerstone in Europe's external relations, both with Asia and globally'.⁴⁶ Point of departure of the Commission's document was the rise of China, seen as an unprecedented event since the Second World War. While the analysis concentrated on China's economic upsurge and the potentialities of its market for European business, the paper laid down a strategy of constructive engagement for integrating China into the international community. This EU's new China policy was part of a broader debate already underway in the United States and East Asia on how to deal with a rising China in the post-Cold War era. In 1994, the Trilateral Commission had published its report *An Emerging China in a World of Interdependence* which advocated a policy of engagement from the advanced capitalist countries in

order to integrate China in the world economy and benefit from the potential of its huge market.⁴⁷ In the document, high-level representatives from the core capitalist countries of Western Europe, the United States, and Japan took stock of China's ascendancy in the world economy as well as the profound changes that had occurred in the international system after the fall of the Berlin Wall (1989) and the demise of the Soviet Union (1991). These new developments meant that relations among liberal-democratic states and the Chinese communist regime would now be much less constrained by Cold War dynamics than they had been in the previous era.⁴⁸ The gathering process of globalization and the emergence of China and the European Union as new actors of regional and (increasingly) global significance would provide further motives for developing the relationship on a new basis and independent of previous superpowers' dynamics. The publication of the EU's new China policy in 1995 marked, thus, the end of the period of Cold-War constraints and ushered in a policy of widespread engagement.

This page intentionally left blank

Widespread Engagement

Since the mid-1990s, the EU and its member states have adopted a firm policy of engagement towards China across the board with the aim to promote the fullest possible Chinese involvement in the international arena, whether on economic, social, political, cultural, environmental, or security issues. With this policy, the EU intends to support China's transformation towards an open society based on the rule of law and the respect for human rights as well as its integration in the global economy and international society. This EU policy of engagement would be based on the assumption that in an increasingly interdependent world China's (peaceful) rise would be inextricably interlinked with – and helped by – the country's smooth integration into the world economy and community of states. The belief among EU policy makers in Brussels and in the national capitals was that a firm engagement policy from Europe (and more generally, from the advanced nations of the West and East Asia) would hopefully lead China, over time, to greater democratization and promotion of human rights inside as well as the adoption of a peaceful and cooperative foreign policy behaviour in world affairs. Chinese leaders would respond positively to this approach and begin to prioritize the development of relations with the EU and its member states.

CONSTRUCTIVE ENGAGEMENT

In its first policy document on China, the European Commission used the notion of constructive engagement for characterizing the EU's new China policy.¹ The concept had been previously used by the Association of South-East Asian Nations (ASEAN) for describing its rather uneasy relationship with the Burmese junta. Constructive engagement meant, in the European context, a largely non-confrontational attitude vis-à-vis China, in stark contrast with the more upfront approach adopted at times by the United States. The push for such a firm and non-confrontational engagement policy found strength in the perception that emerged in the first half of the 1990s that the EU had

benefited from China's economic opening to a lesser degree than the United States or Japan.² The EU's share of China's imports had fallen from 20 per cent in 1990 to 13 per cent in 1995.³ The EU accounted for only 5.5 per cent of foreign investment in China between 1990–5, not far behind the 5.1 per cent from Japan and 6.7 per cent from the United States, but negligible alongside the 75 per cent of China's FDI originating from the Chinese diaspora.⁴ The perception gained currency that the coercive measures on human rights adopted in the early 1990s after the Tiananmen events by some EU members had directly contributed to Europe's relatively weak position within the Chinese market. Beijing had openly adopted concrete commercial reprisals against some EU member states such as France (for harbouring Chinese dissidents after Tiananmen and arms sales to Taiwan), the United Kingdom (regarding the provisions for Hong Kong's takeover and the overall situation of China's human rights record), and Denmark (which had insisted most strongly on a firm human rights policy). It was therefore felt that a policy of engagement and a less confrontational attitude would contribute to boost commercial relations with a country that was rightly perceived at that time as the world's most important emerging market.

It was not only commercial considerations, though, that would play in favour of a policy of engagement. In the mid-1990s, there emerged also the sincere perception among the advocates of engagement that reforms were genuinely progressing in China and that reformers needed support from the international community. Even some key dissidents would in fact declare their support for the West to engage with China as the most likely way of triggering an eventual democratic transition. In the first part of the 1990s, some European observers and high-ranking elements within the European Commission had also identified the prospect of China's internal disintegration as a matter of concern. The idea emerged that it was the lack of any progress towards a real democratization process that was breeding resentment in the increasingly economically independent coastal provinces and that was, therefore, the greatest risk to stability.⁵ This perception was derived, in particular, from the view that the biggest threat to the agreements reached with the Chinese leadership laid in internal fragmentation which caused these to remain unimplemented at the local level. This was perceived as being most prejudicial to EU commercial interests: agreements concluded by the central government to improve market access conditions for European companies were not being followed through at the local and provincial levels. Related to this, there emerged also concerns about the implications of an abrupt collapse of the CCP regime in an environment of growing nationalism, where frustrations with existing structures had not been accompanied by any significant positive adherence to liberal democratic values.⁶ The perception was commonly

held in the West that the rise of nationalism was actually the flip side of the process of economic liberalization, in so far as it was being driven by the CCP leadership's need to find a discourse capable of holding China together.⁷ In such a context, the view was maintained that the EU needed to help China integrate into the international economic system so that the benefits flowing from this would serve to temper internal instability.

The policy of constructive engagement was predicated on a division of labour within the EU: on the one hand, the European Commission would engage China mainly at the societal level, by funding a number of projects and dialogues aimed to support China's transformation to an open and democratic society and its integration in the world economy. At the same time, EU member states (in particular, the large ones) would tend to engage China mainly at the state level and shy away from an upfront and confrontational attitude on sensitive issues pertaining to China's sovereignty (Tibet, Xinjiang, human rights, and democratization) and national pride (Taiwan). This multifaceted approach was in tune with the institutional structure of the EU. The European Commission would be used to promote China's socialization in the international arena and act as a norms (and values) entrepreneur by funding a number of programmes, development projects, and dialogues on human rights awareness; rule of law enforcement; and social capital building. EU member states (especially the large ones) would, instead, pursue good political relations with the Chinese regime in order to obtain commercial advantages for their national companies. This would avoid the burden for the (large) EU member states of confronting Beijing openly on matters of principles and values while retaining at the EU level (through the European Commission) a certain degree of critical pressure on China's authoritarian regime and human rights violations. This multifaceted approach was perceived to be a more effective manner for engaging China as it combined elements from civilian (and normative) power Europe with Realpolitik.

The EU's policy of constructive engagement with China can therefore be seen as an example of the multiple 'faces' of the EU in international relations. Elements of civilian (and normative) power Europe intent on spreading values abroad would be combined with aspects more traditionally associated with a mercantilist strategy and a Realpolitik foreign policy actor. Civilian (and normative) power Europe would be endorsed by actors as diverse as the European Commission, the more-principled Nordic states, the European Parliament and NGOs. Also the large EU members would at times raise the question of human rights with Chinese leaders, though not in a consistent way as the players mentioned earlier. At the same time, a Realpolitik foreign policy approach would be largely pursued by the large EU member states. The governments of Germany, France, the United Kingdom, Italy, and Spain

would tend, overall, to maintain good political relations with the Chinese leadership in order to obtain commercial advantages for their national companies. With the adoption of such a multifaceted China policy, the EU also entered the debate, already underway in the United States and in East Asia, as to whether a rising China should be contained or engaged and what would be the best policy mix.

A GLOBAL DEBATE

In the United States, discussions on whether to engage or contain China would emerge in the aftermath of the end of the Cold War. One side of this debate pointed to China's accumulation of military capacity, its emergent economic strength, and its increasingly nationalistic and adversarial postures on international issues (in particular, over Taiwan and the East China Sea) as reasons for advocating a firm policy of restricting the projection of such power. To those arguing for such a policy of containment, lenient initiatives undertaken with the aim of supporting China's transformation and/or changes in the domestic arena would merely embolden the CCP in its authoritarianism at home, encourage further nationalistic posturing abroad, and, by facilitating the growth of China's trade surplus, provide resources for additional arms development. This approach would find support mainly among realist and neo-realist American scholars and policy makers (in particular the offensive strand of political realism) who tended to consider the acquisition of increased capabilities by China as something that would tilt the balance of power in East Asia in Beijing's favour in a situation where there could be future tensions between the United States and China.

Liberal and neo-liberal scholars would argue, instead, that China was still relatively weak militarily, spending less as a proportion of Gross Domestic Product (GDP) on defence than the United States or other Western European countries and still handicapped by extremely primitive military hardware. Some observers even propounded the thesis that the potential of the Chinese market was overstated. For those, the West had to fully engage with China in order to integrate the country into international society so that the benefits flowing from it would support domestic change towards political liberalization and a more peaceful and cooperative foreign policy behaviour. For the majority of scholars, though, the containment versus engagement debate did not fully capture the complexity of the situation since there could be no question of not engaging with China. At the same time, there was equally

no good reason for pandering to China and being more tolerant of its authoritarianism than that of other countries.⁸

The evolution of US policy towards China contributed to the reasons in favour of EU constructive engagement towards China. The Clinton administration began to shift policy during the mid-1990s. From a relatively hard-line stance (judged to have benefited Clinton's election campaign in 1992), Washington moved to a more cooperative *rapprochement* with China which was felt to be in the long-term interest of the United States. In 1996, the Clinton administration granted China normal trading relations, consisting of Most Favoured Nation (MFN) market access, and began to lower the hurdles it had set for China's WTO accession.⁹ Although the business lobbies in the United States won the debate over China's MFN status, a powerful array of human rights groups, labour unions, and the Taiwanese lobbies within both the Republican and Democratic parties succeeded in ensuring that the administration kept at least a degree of critical and more political focus on China.¹⁰ When the US administration finally granted China permanent normal trading relations in 2000, Democrats linked this to the creation of a new Congressional Human Rights Commission on China and Republicans sought to extract further guarantees on security cooperation. A policy of the stick and the carrot that has characterized US policy towards China ever since.¹¹

In Europe, the lack of any serious commitment to East Asian security and the absence of a Taiwan factor made it easier for EU policy makers to adopt a firm policy of engagement without the security and military considerations that marred the debate in the United States. Although a number of national Parliaments and human rights groups within EU member states (in particular in the Nordic countries, Germany, and the United Kingdom) voiced their concerns vis-à-vis the Chinese regime and its growing military expenditures, the domestic politicization of China, and the consequent linkages between commercial and political issues, remained significantly less marked than in the United States. What would come to characterize the situation was the fierce commercial competition among the advanced economies of the United States, Japan, and the EU for China's market shares. The rivalry between Airbus and Boeing for new contracts in China was, for instance, the most dramatic example of such intense competition between the Western powers.¹² Further calls for engagement with Beijing by some important Asian countries in the second part of the 1990s would also bear on the EU's new China policy. Japan, for instance, after suspending its aid programme in response to China's missile tests off the Taiwan coast in 1996, launched a new policy of engagement, with generous commitments of aid and loans. Similar moves from South Korea and Singapore also helped condition EU engagement with China.

INTER-REGIONAL ENGAGEMENT

The EU's policy of engagement with China was part of a broader strategy of engagement with East Asia embodied in the EU's New Asia Strategy (NAS) of 1994. The subsequent establishment of the Asia–Europe Meeting (ASEM) in 1996 would provide an institutional forum for promoting economic exchanges and advance the reasons for joint East Asian and EU constructive engagement towards Beijing.

The first ASEM summit took place in Bangkok in 1996 with twenty-five actors taking part. On the European side, all EU member states (fifteen at that time) plus the Presidency of the European Commission. On the East Asian side, ten countries: Thailand, Malaysia, Singapore, Philippines, Indonesia, Brunei, and Vietnam (ASEAN 7) plus China, Japan, and South Korea (i.e. the so-called ASEAN + 3). The ASEM process was supported more strongly by South-East Asian political elites and the large EU members (in particular, France and Germany). It was conceived as an instrument for bridging the missing link between the EU and East Asia. At the time of the first ASEM in 1996, North America and East Asia had already established an institutional mechanism (the Asia-Pacific Economic Cooperation) for deepening inter-regional cooperation and North America and the EU had further bolstered their transatlantic ties. In this context, it was perceived that there was a glaring missing link as far as the relationship between the EU and East Asia was concerned and that the ASEM process would serve to fill this missing link in the triangular relationship: North America–EU–East Asia.

ASEM paramount objective was the enhancement of economic relations between the two regions. For the proponents of closer inter-regional cooperation, the ASEM framework would in fact allow the EU to avoid the risk of being isolated by too close a collaboration among the Asia-Pacific countries while also giving East Asia the opportunity to counterbalance US presence by opening up to EU economic interests.¹³ Strategic developments in East Asia would eventually support the need for more effective Asia–Europe inter-regional cooperation. For instance, Chinese manoeuvres in the Taiwan Strait and its missile tests, timed to influence the 1996 Taiwanese election campaign, had given the world one of its most serious strategic frights since the end of the Cold War. During the missile test crisis in March 1996, EU members reacted promptly, following the quick and firm response of the United States.¹⁴ Washington had in fact deployed two aircraft carriers in the area. Eventually, Beijing backed down to the US show of strength. But concerns remained over the prospect of conflict in the South China Sea, one of the

most important for world trade. These events had arisen in the context of growing Chinese nationalism and mounting concerns about China's military budget. Advocates of ASEM hoped, therefore, that the new inter-regional framework could help in harnessing the support of other East Asian states to engage with – and successfully manage – China's rise.¹⁵ The hope was that ASEM would reinforce the perceived importance of cooperative relations with Beijing so that a growing Chinese nationalism would not be allowed to infect relations with the other countries in the region. In this vein, for the proponents of deeper and more institutionalized inter-regional cooperation between the EU and East Asia, ASEM would then serve as an additional forum for joint East Asian and EU constructive engagement towards China.

Within ASEM, the emphasis was on cooperation and informal confidence-building processes with critical pressure in relation to democracy and human rights conspicuous by its absence. China was attracted to ASEM precisely because it saw in it the possibility of more equal region-to-region relations bereft of the unilateral Western power politics that Beijing so strongly sought to counter. China would utilize the ASEM process to advance multilateralism as an organizing principle of the international system with the aim to use it as an additional counterweight to US primacy in the post-Cold War era. As the Chinese Ministry of Foreign Affairs put it: 'China and the EU should work together to make ASEM a role model for inter-continental cooperation on the basis of equality... and a driving force for the establishment of a new international political and economic order'.¹⁶ For Chinese policy makers, the absence of the United States from the ASEM framework would make of the institutionalization of inter-regional cooperation between Europe and East Asia an initiative aimed to soft balance against the United States. Given its strategic significance for advancing both multilateralism and the advent of a multipolar world order, the Chinese government would come to support the ASEM process since the beginning. This would, in turn, further boost EU reasons for widespread engagement with Beijing. As the Asian financial crisis of 1997–8 dealt a temporary blow to the prospects of reinforced Asia–Europe inter-regional cooperation, China saw in it the opportunity to further its involvement in the ASEM process and raise its profile within East Asia.

The outcome of the Asian financial crisis would play in favour of the EU's engagement policy with China in the sense that the aftermath of the crisis made Beijing even more attractive to EU corporate and political leaders. This apparent paradox would follow recognition that the Asian crisis had unsettled economic power relations within the region and created the conditions for China's emergence as the lynchpin of regional economic growth. During the crisis, EU policy makers and corporate leaders would gradually shift

preferences away from South-East Asia and South Korea in favour of China. This became evident in Spring 1998, during the ASEM 2 in London, when South-East Asian and South Korean elites were preached at by EU policy makers about the virtue of neo-liberalism while Communist China would emerge as the star of the summit. This was largely due to the Chinese government's decision not to undervalue its currency, a move which was perceived as an act of responsibility for maintaining global economic stability.¹⁷ As the economic evidence would subsequently confirm (see Table 2.1), China – along with Taiwan – escaped the Asian financial crisis largely unscathed.

Table 2.1. East Asian economies (1996–1999)

	GDP growth				Change in currency value against US\$
	1996 (%)	1997 (%)	1998 (%)	1999 (%)	(June 1997 May 1999) (%)
China	9.6	8.8	7.8	8.2	no change
Japan	3.8	0.7	2.1	0.7	8
South Korea	7.1	5.5	5.5	3.7	26
Indonesia	8.0	4.9	13.7	3.9	69
Malaysia	8.6	7.8	7.0	2.0	34
Philippines	5.8	5.2	0.5	2.3	30
Singapore	6.9	8.0	1.5	2.0	17
Taiwan	5.7	6.8	4.8	4.5	15
Thailand	5.6	1.3	7.0	0.5	30

Source: International Monetary Fund, *World Economic Outlook* (database), Washington, April 2000.

As some US scholars noted: 'Asia's financial crisis may mark a shift in relative long-term influence in favour of China at the expense of Japan'.¹⁸ Along with the economic repositioning of East Asia's major powers, the outcome of the crisis had repercussions for the region's military balance. Defence spending and procurement programmes in China and Taiwan (the countries which largely escaped the financial turmoil) had not suffered to the same extent as elsewhere in the region. China's level of military spending continued to rise during the crisis. In 1998–9 China's official budget increased by 12.9 per cent and in 1999–2000 by 11.5 per cent, and Taiwan's military spending rose by more than 20 per cent in real terms between 1992 and 1997 and continued to increase in the period 1997–2000.¹⁹ Yet, these military trends tended to be largely overlooked by EU policy makers. What would mainly catch the attention in Brussels and in the main national capitals was the image of an economically rising China in the middle of a region profoundly hit by the crisis. This would further contribute to making Beijing

even more attractive. It was in such a context that the EU and China upgraded their political relations. The first EU–China bilateral summit at the level of the heads of state and government took place at the margins of ASEM 2 in London on 2 April 1998. The summit initiated a yearly political dialogue at the highest level between the two sides. As Michael Yahuda pointed out, the summit would enable ‘China’s leaders to dwell on their favourite themes of multipolarity’.²⁰ At the first meeting, Chinese policy makers would in fact welcome the introduction of a common currency in Europe by arguing that the Euro was reinforcing the perception that the advent of a multipolar monetary order was in the making.²¹

The first EU–China top level summit followed publication of the European Commission’s second document on China: ‘Building a Comprehensive Partnership with China’.²² The document asserted that ‘the EU itself is changing in ways that will lead China to adjust its own strategic vision of the European continent. The EU stands on the threshold of a single currency and enlargement eastwards, and with the Treaty of Amsterdam has equipped itself with new means to assert itself on the world stage’.²³ For the European Commission, ‘engaging China’s emerging economic and political power, as well as integrating China into the international community may prove one of the most important external policy challenges facing Europe’.²⁴

The document further acknowledged the achievements of the EU’s policy of engagement with China. Ever since the adoption of its new China policy in the mid-1990s, the EU had implemented commercial initiatives significantly more favourable to Beijing. China’s trade surplus with the EU had in fact increased fourfold between 1990 and 1997. Beijing took an increasing share of the total benefits of the EU’s Generalized System of Preferences (GSP), by 1997 taking a hefty 30 per cent of the total available preferences, up from the 15 per cent it enjoyed at the beginning of the decade.²⁵ The first European Investment Bank (EIB) loan to China had been agreed in December 1995 and EU governments had supported a huge increase in World Bank loans to China, with the latter soon becoming the World Bank’s largest recipient. At the bilateral level, while US aid to China remained negligible, Beijing had become one of the EU member states’ main aid recipients. For instance, by 1997 China would be, by some margin, the largest recipient of German development assistance.²⁶ The European Commission aid commitments to Beijing had also increased from 20 million Ecu for 1991–4 to 70 million Ecu for 1995–9. By the end of the century, China would emerge as the single most important Asian country in terms of projects and resources allocated from the European Commission and the EU member states. Sir Leon Brittan, Vice-President of the European Commission (1995–9) declared in February 1998, at the height of the Asian financial crisis: ‘There is no alternative to

engagement with China. . . . By engaging with China, we are not only in a position to point China towards a path of sustainable growth but we will also protect the welfare of Europe into the next Millennium and beyond'.²⁷ Such a discourse, largely shared by the policy making community in Brussels and in the national capitals, reflected changes in the conception of economic security and the role of China for the EU (and vice-versa) in the post-Cold War era.

CHANGING NOTIONS OF ECONOMIC SECURITY

Since the early 1990s, EU policy makers had begun to tie the notion of a steady and sustainable development in China to a new conception of European security. Chinese policy makers and scholars would make a similar linkage between the protection of China's economic security and the bolstering of relations with the EU, in particular with regard to the possibility of acquiring advanced technology needed for China's modernization. This new securitization discourse followed recognition that the end of the Cold War and the gathering process of globalization had led to the emergence of new, broader notions of security.²⁸ The notion of economic security in particular, along with that of environmental and energy security, had gained popularity in the IR research agenda after the end of the Cold War, though different scholars would attach different meanings to it.²⁹ It is argued here that it was this new securitization discourse which would provide much of the intellectual underpinning for the adoption of a widespread engagement policy by both sides.

In her article 'What is Security?' Emma Rothschild described the principles of security which emerged after the end of the Cold War.³⁰ She argued that the 'ubiquitous idea, in the new principles of the 1990s, is of security in an "extended" sense'.³¹ According to Rothschild, the extension takes four main forms: (a) from nations to groups and individuals (downward extension); (b) from nations to the international system, including the biosphere (upward extension); (c) concept of security is extended from military to political, economic, social, environmental, or 'human' security (horizontal extension); and (d) political responsibility for ensuring security is diffused to a host of traditional and new actors: local authorities, supranational organizations, NGOs, and public opinion, etc.³² In the first half of the 1990s, this new 'ethos' in the conception of security was propounded by different actors such as the Clinton administration and international organizations such as the United Nations and its specialized agencies as well as the

international Commission on Global Governance.³³ This shift in emphasis from military to economic matters would greatly influence the elaboration of the EU's new China policy made by the European Commission and the EU member states.

A new linkage would thus be made between China's sustainable development and the protection of Europe's economic security. This linkage was first laid out in the 1995 European Commission's document: *A Long-Term Policy for China-Europe Relations*.³⁴ In the document, EU policy makers acknowledged that China's reform and opening-up process, its size, growth rate, and great potential for further development, would mean enormous opportunities for EU businesses. Consequently, the document stressed that 'in order for European industry to be globally competitive it must be present in the world's most dynamic market'.³⁵ This idea of the need to maintain the EU's global competitiveness and socio-economic welfare position was already present in previous policy documents. In its 1993 White Paper on *Growth, Competitiveness, Employment – the Challenges and Ways Forward into the 21st Century*, the European Commission stated that in this globalized world, the EU's economic security should be protected.³⁶ As discussed earlier, in the same period Germany had taken the lead in the elaboration of a new strategy towards Asia with the aim to benefit from the dynamism of the emerging markets in the Far East, a strategy felt to be essential for protecting its long-term global competitiveness and socio-economic welfare position. After Germany, other EU member states (in particular, France, the United Kingdom, Italy, and the Netherlands) began prioritizing relations with East Asian countries.

In the mid-1990s, the Policy Planning Unit of the DG XII External Relations (DG-Relex) would define economic security as 'the long term ability to protect the relative welfare position by ensuring access to resources and production capability, securing market outlets, and maintaining macroeconomic stability'. More specifically, according to the European Commission the EU would increasingly need to protect its (relative) socio-economic welfare position by: (a) ensuring access to resources and production capability (i.e. access to raw materials, oil, and other energy products as well as technology); (b) securing market outlets (i.e. access to export markets for goods and services and the ability to extend economic activity like investment beyond national boundaries); and (c) maintaining a stable international macroeconomic environment. For the European Commission, economic security would be closely interlinked with environmental security, which was defined as the need to guarantee the maintenance of shared ecosystems.³⁷ Following up on this, the European Commission's policy papers on China have pointed out that Europe's economic security is directly affected by developments in China, in particular by Beijing's steady, sustained, and environmentally sustainable

economic growth. EU policy makers would assert that, if this kind of growth is maintained, it is 'in the mutual interests of both China and the EU'.³⁸

China's economic development would affect the EU's economic security in many ways. For instance, the EU is very sensitive to world energy and food markets. Since China, due to its large population and economic needs, depends on more and more imports, world markets have to make the corresponding adjustments. If China could maintain a steady economic growth and a stable expansion of its imports, the possibilities for gradual adjustments could be facilitated. From a European perspective, disruptive shocks from sudden oil and gas surges, or strongly fluctuating Chinese imports of food and/or raw materials, should be avoided. Otherwise, the world markets and, consequently, Europe's economy, would be adversely influenced. China is not only, however, a voracious consumer of resources but also one of the major outlets for European goods and investments. At a time of greater economic interdependence, the outside market is becoming more important for the EU than ever before. EU exports make up an important share of world trade and many million jobs depend on exports directly, and even more indirectly. Since the early 1990s, a growing number of European companies have been relocating activities to China in order to profit from its cost advantage as well as to benefit from its expanding domestic market.

EU foreign direct investment flows into China have soared from a very modest level in the early 1990s to reach an aggregate €98 billion (accumulated) by mid-2008.³⁹ Early European FDI into China was primarily motivated by the low costs and went into exporting industries. Currently, an increasing share of FDI is motivated by the desire to produce for the expanding Chinese domestic market. In the 2004 *European Competitiveness Report*, the European Commission argued that success in the Chinese market does not only generate growth, but economies of scale which are even more important for large enterprises to protect their strategic position against their international competitors. Since it is generally assumed that an increase in European exports, as well as the success of European companies abroad, would be translated in the creation of more jobs within the EU, it follows that securing market outlets and fair competition for European industries in China has become a major economic interest for the EU. This is connected to the need for a steady economic growth in China deemed to be essential for creating constant demand for European goods, services, and investment in the long run.⁴⁰ A steady and sustainable economic growth is also the precondition for China's sticking to its transformation process, that is, the transition to a market economy and integration into the global regulatory system which is absolutely essential to enable European companies to compete on equal, and fair, footing in the Chinese market.

In the eyes of EU policy makers, economic factors are closely connected to – and interrelated with – political factors. Since China plays an increasingly important role in the maintenance (or disruption) of regional and global stability, instabilities within China will have a direct detrimental effect on the region's economic performance and therefore on EU's exports and FDI in the area. Domestic stability within China does not only depend on internal political developments (role of the CCP, democratization, ethnic conflicts) but also, and increasingly, on the social costs of the reform of the ailing State-Owned Enterprises (SOEs), unemployment, inflation, the growing gap between rich and poor and between the coastal areas and the interior, migration due to inequalities in regional development and/or to environmental degradation. All of them are potential causes of social unrest and, as a consequence, potentially damaging to the economic climate and to the EU's economic interests. Consequently, the EU has a significant interest in a steady and sustainable development of the Chinese economy combined with its integration into the world's economic and regulatory systems in order to maintain China's (and the region's) stability.

Decreasing growth rates in China would greatly damage Europe's interests, since an economic downturn could lead to increasing tensions both within China and in the region. As argued earlier, this is a powerful reason for the EU to firmly support the opening up of the country and an engagement policy from the advanced nations. Such an approach is also in line with the proponents of the theory of trade expectations that predict that a country with positive expectations for its own economic development (because of the engagement by other relevant actors in the system) would be more prone to adopt a cooperative foreign policy behaviour. It seems that EU policy makers have largely bought into the idea that by engaging with China they would sustain the country's growth rates, which in turn will create the conditions for a good business climate and regional (and international) cooperation. This would ultimately be in Europe's long-term self interest.

The linkage made by EU policy makers both in Brussels and in the most important European capitals between the protection of the EU's socio-economic welfare position and China's long-term sustainable development would find a counterpart in Chinese policy speeches and scholarly analysis. Since the beginning of the 1990s, enhancing relations with European countries has been seen by Chinese leaders as part of the country's strategic goal of boosting China's comprehensive national power. For Chinese scholars and policy makers, fostering relations with the EU is seen as highly strategic not only for commercial reasons, but also for obtaining advanced Western technology needed for China's modernization.

EUROPE'S STRATEGIC SIGNIFICANCE FOR CHINA

Since the end of the Cold War, the term economic security has become popular in Chinese scholarly and policy making community. The Chinese term for economic security is *jingji anquan*. Most Chinese IR scholars have focused on the external dimension of China's economic security and the term *guojia jingji anquan* (national economic security) has become the standard notion. At the beginning of the 1990s, Chinese scholars began elaborating a new understanding of the political, military, and security implications that the end of the Cold War and the gathering process of globalization and economic interdependence would have on China. In the aftermath of 1989 Tiananmen events and with the demise of the Soviet Union as a fresh reminder, Chinese leaders insisted that domestic stability should be pursued at the expense of democratizing China's political system. Moreover, the first Gulf War in 1991 was seen by Chinese scholars and policy makers as the demonstration that respect and status in international relations were still rooted in military power, which was based, in turn, on economic strength. The main reading at that time was that with the end of the Cold War, the economy had become a major factor in determining the growth and decline, as well as the rise and fall of nations. This Chinese interpretation seemed to vindicate the view, popularized by the book by Paul Kennedy, that only economically sound countries were able, in the long-term, to wage war and assert their influence on the global stage.⁴¹ According to this view, the post-Cold War period would witness a shift of the main battlefield of international competition away from the military and into the economic one. Thus, the essence of competition would increasingly be a contest for overall national strength based on the economy, as well as the development of science and technology. Chinese leaders saw in the dissolution of the Soviet Union an example of how economic problems could bring a superpower to a collapse while the first Gulf War reinforced the view of the importance of scientific and technological advances for contemporary warfare.⁴²

In the early 1990s, Zhao Ying, a scholar in the China Institute of Industrial Economics at the China Academy of Social Sciences, included among the threats to national economic security the terms of international exchanges in trade and investment, science and technology, and the environment. Zhao considered disputes between China and its major trading partners to amount to a soft warfare waged against Beijing.⁴³ In 1994, some Chinese scholars defined economic security as the 'country's global economic competitiveness; its capacity to resist disruptions to, threats to, and invasion to its economy;

and the domestic and international environments enabling a country's economy to survive and grow continuously'.⁴⁴ After the end of the Cold War, in a situation where the United States firmly dominated the global political economic order, Chinese leaders would increasingly focus on finding the ways to deter American unilateral attitudes in world affairs that could harm China's rise. Chinese leaders would therefore commit to equip their country to become strong economically in order to stand guard against eventual US efforts to frustrate Beijing's upsurge. These Chinese perceptions would find evidence in the growing number of works published by some leading American think tanks (such as the RAND Corporation) on how to prevent the emergence of peer competitors to the United States in the post-Cold War era.⁴⁵ In order to become stronger and thus be able to counter perceived US containment policies, China would need to improve economic ties and acquire advanced technology from other leading nations of the world such as the European countries.

China's determination to strengthen economic ties and technology transfers with Europe is thus closely linked with Beijing's re-definition of its national core interests. Since 1978, Chinese leaders have identified modernization and economic development as one of the new national core interests and central goals. According to Deng Xiaoping: 'without sound economic foundations, it will be impossible to modernize our national defence... the role we play in international affairs is determined by the extent of our economic growth'.⁴⁶ In the early 1990s, the Chinese leader declared that China's future and fate, as well as its prosperity (or decline), comprehensive national power, and international status are directly linked to economic development.⁴⁷ The latter is also seen as the 'firm, unshakeable and overriding' goal of the CCP. In a situation where the Maoist ideology has lost its appeal and *raison d'être*, delivering economic development and raising standard of living (along with the prospect of achieving unification with Taiwan) have become the basis for the legitimization of the ruling CCP. In order to carry out the modernization process and economic development, both reforms and an open-door policy are needed. With regard to the reform process, for the CCP this means the transformation from a system of planned economy to a market-oriented one, while the open-door policy is based on a firm adherence to the development of economic and technological exchanges and cooperation with foreign countries. The overall objective being the maintenance of sustained economic growth over the next decades in order to 'build a well-off society in a well-rounded way' by the middle of the twenty-first century.⁴⁸

In this context, enhancing economic, scientific, and technological relations with the EU and its member states has always been seen by Chinese leaders as

a highly strategic long-term objective. The strategic element in Sino-European relations is contained in the idea that Europe's capital goods and advanced technology would make it easier – and faster – for China to develop its economy and modernize its armed forces with the consequence of increasing the country's overall political influence and diplomatic leverage. This linkage between China and the EU would be supported by the emergence of a new discourse on economic security in the post-Cold War era. In Europe, the discourse would tie the protection of the EU's economic security and overall socio-economic welfare position with China's steady and sustainable development. In China, this securitization discourse would engender a linkage between the development of economic and technological relations with Europe and China's modernization and comprehensive national power. The outcome of such a linkage in terms of two-way trade and investment would be impressive. However, as Europe and China would not share similar political cultures and regimes, parallel to the buoyant commercial relations, there would also emerge an evident trade-off between the reasons of business and some fundamental liberal-democratic values dear to the majority of Europeans.

The Interplay of Business and Politics

Since the mid-1990s, the EU and China have pushed forward their bilateral relations and adopted a firm engagement policy vis-à-vis each other in a situation devoid of any substantial conflict issue between the two sides. The prioritization of commercial relations based on new conceptions of economic security emerged in the post-Cold War period (examined in the previous chapter) would lead to a remarkable increase in two-way trade which would, in turn, lay the basis for the upgrading of political relations. In 1998, the two sides inaugurated a yearly top level summit. Alongside state-to-state relations, the EU would also establish a number of programmes with China across the board. The European Commission's cooperation programmes with China, development aid, sectorial dialogues, and the various technical assistance programmes and working groups would seek to integrate China into international society by supporting Beijing in its efforts to adopt a set of standards and norms. These programmes best represent the image of the EU as a civilian (and normative) power intent on spreading norms and principles abroad. This is seen by the EU as a central element for supporting China's modernization and transformation process which is expected to have, over time, a spill-over effect into China's domestic arena and hopefully promote the emergence of a civil society which would (hopefully) demand more political liberalization and better protection of human rights and fundamental freedoms while also steering Chinese foreign policy into a peaceful and cooperative behaviour with their neighbours and the world at large. As the European Commission put it, this form of 'cooperation must be in both sides' interests, (and) reflect the EU's own principles and values'.¹

As mentioned earlier, there has been a division of labour within the EU. Alongside a civilian (and normative) power Europe best represented by the European Commission's development programmes and technical dialogues, the EU member states (in particular the large ones) have adopted commercial strategies vis-à-vis China aimed at promoting their national companies' business interests. Such a mercantilist strategy would be skilfully exploited by the Chinese leadership in order to obtain political concessions, usually in the form of silence over sensitive issues pertaining to China's domestic affairs

or national pride. Thus, the relationship would be gradually characterized by a *quid pro quo* between European business interests (backed by their respective governments) and the Chinese political leadership.

BUSINESS FIRST

The enhancement of commercial exchanges has always occupied an important place in EU–China relations. The European Commission regards it as the ‘basis for continuous development of Sino–European relations’² while the Chinese Ministry of Foreign Affairs has time and again put forward the hope that the ‘EU becomes China’s largest trading and investment partner’.³ Since 1978, when China started to open up its economy, EU–China trade has increased more than forty-fold. Between 2000 and 2007, EU–China trade more than tripled, with exports rising from €25.8 billion to €71.8 billion and imports growing from €74.4 billion to €231.5 billion. Since 2004 (after the first wave of EU enlargement to Central and Eastern Europe), China has become the EU’s second trading partner (behind the United States) and the biggest source of imports. By the end of 2007, China had acquired 16 per cent share of the total EU market. The EU had become, in turn, China’s biggest trading partner, ahead of the United States as well as Japan, and accounting for around 20 per cent (one-fifth) of total Chinese export products. By the end of 2007, EU–China trade totalled €303.3 billion (see Table 3.1).⁴ If current trends continue, Beijing is poised to become the EU’s most important commercial partner.

Trade in services is, however, still very low when compared to merchandise trade and very small in comparison with transatlantic services trade (see Table 3.2).

The FDI stock of the EU in China was €32.7 billion in 2006, representing around 8 per cent of total FDI stock in the Chinese market, and quite limited if compared to the €934.3 billion of EU FDI stock in the United States. FDI flow from the EU to China was €6 billion in 2006 while Chinese FDI into the EU totalled €2.1 billion. EU companies have invested heavily in the Chinese market in recent times, generating total sales for over €110 billion in 2006.⁵ Sino–European merchandise trade is not even. China has accumulated huge surpluses with European countries. EU trade deficit with China has increased from €48.6 billion in 2000 to €159.8 billion in 2007 (see Table 3.3).

This is the EU’s largest bilateral trade deficit and it has more than tripled between 2000 and 2007. It is increasingly creating problems and makes China ‘the single most important challenge for EU trade policy’.⁶ The EU’s trade

Table 3.1. Leading partner of the EU27 in merchandise trade (2004–2007) (in million euro)

EU imports + exports	2004		2005		2006		2007	
	Rank	€	Rank	€	Rank	€	Rank	€
United States	1	394.9	1	416.7	1	444.2	1	441.7
China	2	177.1	2	212.1	2	258.6	2	303.3
Russia	4	130.0	3	169.5	3	213.1	3	232.3
Switzerland	3	137.2	4	149.2	4	159.3	4	169.4
Japan	5	118.1	5	117.8	5	122.0	5	121.6

Source: European Commission, DG Trade (<http://ec.europa.eu/trade/issues/bilateral/dataxls.htm>).

deficit with China is still distant from the US trade deficit which reached \$256 billion in 2007. More importantly, as some scholars have argued, the EU's overall trade deficit is pretty low (around 0.5 per cent of EU GDP) when compared to the US trade deficit with China which represents 5.5 per cent of US GDP.⁷

The trade deficit is a reflection of the opportunities, and challenges, that a rising China is bringing to the EU and, more generally, to the world economy. China has experienced annual average growth rates close to 10 per cent since the open-door policy begun. By the end of 2008, China had become the world's third economy (see Table 3.4), the largest contributor to global GDP, the first exporter, and the second largest importer of goods.

Table 3.2. Leading partner countries of the EU27 in services trade (2007) (in billion euro)

Country	EU imports + exports			EU imports from			EU exports to		
	Rank	€	%world	Rank	€	%world	Rank	€	%world
United States	1	262.5	29.2	1	125.6	30.9	1	136.9	27.7
Japan	2	32.6	3.6	2	13.3	3.3	2	19.3	3.9
China	3	30.4	3.4	3	13.0	3.2	3	17.4	3.5

Source: European Commission, DG Trade (<http://ec.europa.eu/trade/issues/bilateral/dataxls.htm>).

Table 3.3. EU merchandise trade with China (2000–2007) (in billion euro)

	2000	2001	2002	2003	2004	2005	2006	2007
Imports	74.4	81.6	89.6	106.2	128.7	160.3	194.8	231.5
Exports	25.8	30.6	34.9	41.5	48.4	51.8	63.8	71.8
Balance	48.6	51.0	54.7	64.7	80.3	108.5	131.0	159.8

Source: European Commission, DG Trade (<http://ec.europa.eu/trade/issues/bilateral/dataxls.htm>).

Table 3.4. GDP and population, 2007 (GDP in billion US\$)

	GDP at PPP*	GDP per head	Population (million)
EU 27	14,824	30,100	492
United States	13,843	45,820	302
China	7,168	5,420	1,323
Japan	4,286	33,630	127
India	3,031	2,730	1,110

* The Purchasing Power Parity (PPP) is a measure that takes into account of the lower price level in developing countries.

Source: The Economist Intelligence Unit, 2008.

China's economic growth has been reflected in the country's increasing share of world GDP (see Table 3.5).

The Chinese economy has become an assembly hub for the whole Asian region, the cornerstone of dense East Asian cross border flows of parts and components to final markets in Europe, the United States, and Japan. Today, the largest East Asian economies export to the EU via China rather than from their home countries. As Fredrik Erixon, Patrick Messerlin, and Razeen Sally have argued in a recent paper, the EU's China trade deficit is thus a reflection of the massive reshaping of global trade flows and production networks of the last years.⁸ These authors have also found that since 1999, the EU has imported more from China but relatively less (in terms of import shares) from the largest East Asian economies and the United States. They therefore conclude that the current EU global trade deficit is not spread over several East Asian countries (as it used to be in the 1980s and 1990s) but it is concentrated in one of them, namely China. Moreover, the authors note that in the period 2000–6, a majority of EU member states had higher export growth rates to China than their import growth rates, improving as a result their export import ratio.⁹ This is mainly due to China's exploiting a

Table 3.5. Share of world GDP (1995–2030) (% at PPP)

	1995	2008	2020	2030
EU 27	24.5	20.5	18.6	15.6
United States	21.7	18.8	18.3	16.6
China	5.5	10.3	17.7	22.7
Japan	8.3	5.9	4.6	3.6
India	3.1	4.5	6.9	8.7

Sources: Elaboration data from: The Economist Intelligence Unit (2008), The International Monetary Fund (World Economic Outlook, October 2008), *Il Sole 24 Ore* (November 2008).

comparative advantage in unskilled and semi-skilled labour intensive finished goods. Beijing is currently the world's major exporter of a whole range of manufactured products, including bicycles, toys, microwaves, TVs, DVDs, and many other consumer electronic goods. It produces more than half of the world's shoes and looks set to capture a similar share of the world's market for clothes.

Since re-admission in 2001, WTO membership has given China much better access to European markets and this has contributed greatly to current EU trade deficits with Beijing. It has also brought to the fore the question of Market Economy Status (MES). When China joined the WTO in 2001, the existing members, including the EU, insisted that Beijing remained classified as a non-market economy for a period of fifteen years. Such classification makes it easier for other countries to impose anti-dumping measures on Chinese exports. Chinese leaders argue that their country has already made tremendous efforts on the way to become a market economy and that many countries have already upgraded China to MES. Chinese officials argue that the EU has upgraded Russia to MES, without Moscow being yet a member of the WTO or its economy being more liberal than the Chinese one.¹⁰ For China, MES has become a question of political prestige, since the upgrade would signify that it is regarded as an equal economic partner of the EU. In addition, the MES status will make it more difficult for the EU to impose anti-dumping duties on Beijing.¹¹ From 1979 to April 2007, the EU started 136 anti-dumping investigations. China remains the EU's main anti-dumping target. To this trade defence instrument, safeguards against Chinese exports have also been added. For instance, in 2002 measures have been taken against steel exports and in 2005 against a wide range of Chinese textiles and clothing.¹² With regard to the textile sector, since January 2005, with the Multi-Fibre Agreement (MFA) coming into effect, EU tariffs and quotas on Chinese textiles had to be removed, only to be partly reintroduced in July 2005 following protectionist protests across Europe. The question of cheap Chinese products invading the EU's market would become a political issue in some EU member states, in particular in France, Italy, Spain, and Portugal.

At a time when most EU members experience large trade deficits with Beijing and China is challenging the relative competitiveness of both the old and the new EU member states, the MES status has become a sensitive issue. The EU is currently against granting MES status to Beijing on the grounds that the requirements set out by the European Commission have not yet been met. The EU recognizes a country with market economy status if the following five criteria are met: (a) Does the government influence the operations of firms? (b) Does the legacy of the command economy, in terms of public

ownership, barter trade, and so on, affect firms' operations? (c) Do firms operate under an effective company law, and do they have effective accounting standards? (d) Do firms operate under an effective framework of bankruptcy regulation and property rights protection? and (e) Do firms convert currency at standard market rates? The EU argues that China does not meet four (out of five) of these criteria. In reality, the refusal to grant the MES status is a political decision, based on the perception that the EU still needs to treat China as a non-market economy so as to be able to adopt anti-dumping measures in the framework of the WTO.

The question of MES reflects the complexity of trade relations between the EU and China. The two sides have been, so far, quite complementary in the global division of labour. China has traditionally exported to the EU mainly labour-intensive goods, or mechanical and electrical products with low technology content, while the EU would export to China largely capital-intensive goods, such as steel and chemical products or technology-intensive goods. In recent times, however, China's active industrial policy has turned the country into a low-cost competitor in high-skill industries. After having selectively attracted FDI in technology intensive industries in order to benefit from foreign technology and organizational know how, the Chinese government has actively promoted domestic companies (national champions) which are regarded as having the potential to compete in world markets. These developments have contributed to the rapid upgrading of China's industrial structure. As a result, China is fast moving up the value chain. It is not only a supplier of industrial goods manufactured (or simply assembled) with inexpensive and poorly skilled labour but also of so-called technology-based high-tech products. China has started to seriously challenge EU industries that are considered sensitive, in particular the chemical, engineering, pharmaceutical, ICTs, and textile sectors. Today, China's exports have the potential to affect a broader range of industries in the EU, particularly in the new member states of Central and Eastern Europe. For instance, in the production of information technology goods (telecommunication equipment and computers) China's foreign invested enterprises account for 60–70 per cent of output. These industries are among the top three exporters into the EU and have increased their exports at annual rates of some 20–30 per cent since the early 2000s. The overall share of high-skill industries in China's manufacturing exports to the Eurozone has already risen above 20 per cent, which is twice as high as the share of high-skill industries in the exports to the Eurozone of the new EU member states of Central and Eastern Europe.¹³ This rapid growth of technology-intensive Chinese export products represents a major economic challenge for the EU and is contributing to Europe's growing trade deficits with Beijing.

CHINA'S HIGH-TECH CHALLENGE TO THE EU

Research cooperation and technology transfers from developed countries, through foreign direct investments and joint ventures, have always been considered as important tools for upgrading China's industrial base, for increasing the technology content of its export products, and for supporting China on a path towards sustainable development. China's state industrial policy actively encourages the transfer of foreign technology. Since the mid-1990s, these objectives have been reflected in the Guidelines for Foreign Investment.¹⁴ Transfer arrangements have become a regular feature of joint venture contracts, although the conditions required do not always satisfy the European partners. Approval procedures, subject to strict government scrutiny, are sometimes cumbersome and the respect of confidentiality of business secrets is doubtful. Access to China's attractive market is often used as leverage to push foreign partners to provide their technology on terms that most European companies would not be ready to accept anywhere else. Likewise, contracts for larger joint ventures require, on an increasing scale, that the European company should contribute to the establishment of cooperative R&D departments, if not transfer some production-lines altogether. For instance, Airbus has offered China projects that will, over time, make Chinese producers critical suppliers of components and sub-assemblies for some of the most important Airbus products. In September 2008, Airbus began its first aircraft assembly line for the A320 jet at the factory in the eastern Chinese city of Tianjin (the first ever Airbus assembly line outside Europe). Such a deal would also allow European consortia such as Eurocopter, which is itself a first-tier supplier of Airbus, to work more closely with Chinese industries such as the Shenyang Aircraft Corporation (which is a partner to Airbus).

European companies and their governments obviously have an economic interest in exploiting their competitive edge and selling (or transferring, depending on the agreement) advanced European technology to China, though the inadequate enforcement of international property rights (IPR) legislation remains an important issue. In this lies a conundrum and a challenge to Europe's long-term interests since, in increasingly globalized markets, Europe's competitiveness is likely to depend on its capacity to maintain and develop its comparative advantage in high-tech goods. Transferring the latest technology and R&D capacity, which contributes to China's modernization and technological upgrading, creates the conditions for Chinese companies to challenge their European counterparts and undermine, as such, Europe's (relative) global competitive position in the long run.

A paper published in March 2007 by the European Central Bank (ECB) provides evidence of this. The authors, Ursel Baumann and Filippo Di Mauro, argue that the Eurozone's trade specialization has changed in response to stronger international competition and the emergence of new global players. They find that the export specialization of the Eurozone is increasing in some medium-to-high or high-tech sectors (such as pharmaceuticals) and also by a more intensive recourse to importing intermediate goods from low-cost countries in Asia, particularly from China. At the same time, the Eurozone has been somewhat slower in moving towards research-intensive goods and away from labour-intensive sectors and is increasingly challenged in some medium-to-high or high-tech sectors by new players, in particular (also in this case) China. The authors of the ECB paper argue that the R&D export index – which measures the technological content of products – has remained more or less the same in the Eurozone (around 1.2) while it has risen from 0.6 to 1.3 in the case of China, indicating that Beijing is increasingly moving up the value chain, that is, towards the export of research and technology-intensive products.¹⁵

China's active industrial policy is complemented by the country's international investment strategy that is geared towards the acquisition of advanced foreign technologies, R&D establishments, and expertise in developed economies.¹⁶ This has usually been achieved by establishing transnational joint ventures in China with Western and Japanese multinationals before making any overseas investment, or through mergers and acquisitions.¹⁷ A good example of the transnational joint venture strategy is TCL Corporation, China's second largest colour television and mobile phone maker. This company grew out of a small joint venture in the early 1980s to become a big successful business with revenues over US\$3.4 billion. The company later acquired the German-based Schneider Corporation and signed two contracts of joint venture with Thomson and Alcatel. Examples of the mergers and acquisition strategy include the Shanghai Automotive Industry Corporation's GBP 67 million purchase of the technical rights to manufacture Rover's 25 and 75 models and its Powertrain business, and the Lenovo Group's acquisition of IBM's global PC businesses for US\$1.25 billion. China's international investment strategy has been firmly incorporated into the country's economic development strategy. In 2001, the government described the strategy of enterprises 'going out' (*zouchuqu* – to invest beyond Chinese borders) as one of the four key thrusts to enable China to adjust itself to the trend of economic globalization.

This outward investment strategy is bolstered by a number of banks, financial institutions, and government agencies. The last addition has been the Chinese Investment Corporation (CIC) launched in September 2007. Under the direct supervision of the State Council, the CIC is mandated to utilize some of the country's massive foreign exchange reserves in investing

abroad. The CIC will invest, manage, and add value to the Chinese portfolio as an owner of its assets and investments. China's huge forex reserves (around US\$2,000 billion at the end of 2008 – the largest in the world) are currently held in safe, but low yielding, instruments such as US treasury bonds. The CIC is allowed to go 'equity-heavy' as the declared aim is to generate as much return as possible on the forex reserves under the preconditions of security.¹⁸ One of the CIC's aims is to acquire foreign technology and R&D establishments in developed economies. This would likely take the form of profitable participation in private equity funds as well as strategic participation in foreign investment companies running businesses considered of importance. China eyes Europe's ICTs; the mechanical, electronic, and chemical sectors; as well as the more strategic aerospace, defence, nanotechnologies, and biotechnologies sectors as investment opportunities, both in terms of profitable returns on its foreign reserves and in terms of acquisition of technologies, know-how, and scientific expertise needed for industrial (and military) modernization.

Inflows of Chinese investments in Europe are viewed as beneficial for job creation and infrastructures, especially at a time of tight credit in world markets following the financial crisis triggered by the US sub-prime mortgages and the collapse of Wall Street banking sector in Autumn 2008. A number of EU policy makers have openly invited the CIC to invest in Europe. At the same time, some governments (in particular Germany and France) have called for a European 'golden share' to protect industrial strategic assets from unwanted takeovers from sovereign wealth funds (SWFs). The EU economy commissioner, Joaquin Almunia, declared in Summer 2007 that 'the EU might restrict investments by government funds unless they disclose more about what they invest in and why'.¹⁹ Notwithstanding attempts at the European level to find common rules and guidelines for the operations of the SWFs, intense competition is emerging among EU members for attracting Chinese investments into their national markets. This is not a novelty. Competition among EU members for the Chinese market (in parallel with increasing coordination under the EU common commercial policy) has characterized Sino-European relations since their onset.

BETWEEN COOPERATION AND COMPETITION FOR CHINA'S MARKET SHARES

Since the 1985 Trade and Cooperation Agreement (TCA), EU member states have entrusted the European Commissioner for External Trade to conduct

economic negotiations with China at the EU level in order to collectively exercise a greater bargaining power. By throwing their support behind the Trade Commissioner, EU members have succeeded in maximizing their economic leverage as a trading superpower vis-à-vis China. In particular, the negotiations for China's entry into the WTO in 2001 have consolidated the European Commission's role as the central actor in EU–China economic relations. However, EU governments, in particular the large ones, have continued to pursue economic strategies towards China aimed at championing their national industries.

France and Germany have taken the lead in pursuing the interests of their national companies vis-à-vis China. The French government, for instance, has traditionally adopted a strategy of pushing politically supported large-scale *grand contracts*. Since the establishment of full diplomatic relations with Beijing in 1964, French leaders have been active in pressing for government-to-government deals. In 1996, President Chirac announced the ambitious goal of tripling the 2 per cent French share of China's trade to 6 per cent within ten years, confirming the French determination to match the German presence in the China market. In such a context, the state visit to China by Chirac in May 1997 was remarkable. The French President was accompanied by a large number of French corporate leaders and the state visit resulted in the Chinese government buying thirty new Airbuses worth \$1.5 billion, together with other contracts on power stations and car production. Also remarkable was the state visit to France by Wen Jiabao, the Chinese Prime Minister, in December 2005. On that occasion, the Chinese leader signed a deal for 150 Airbus A320 (worth €9 billion) and a telecommunication satellite from Alcatel (€140 million). The Chinese leader also signed an agreement with Eurocopter for the joint-development of helicopters (€300 million), and a financial protocol for the construction of high-speed rail systems (€150 million).²⁰ In the period 2000–6, the annual growth rate of France's export to China was 15.3 per cent while import grew by 11.7 per cent in the same period. In 2007, France's trade deficit with Beijing reached €19.6 billion. It is France's largest and has started to become a political issue.²¹

Germany is the EU member which has benefited more from the opening up of the Chinese market by also following the French example of the *grand contracts*. Berlin has lent its support – among the others – to the sale to China of the German-built trans-rapid magnetic levitation train, a project that met with stiff competition from Japanese and French rivals. The strong commitment of Chancellor Gerhard Schröder was instrumental in awarding the contract to Berlin. The state visit to Germany by Hu Jintao, the Chinese President, in November 2005 was remarkable. On that occasion, eight deals (worth €2 billion) were signed. The largest deal was an agreement with

German electronics giant Siemens to produce sixty trans-rapid trains. China has steadily become Germany's second biggest export market outside Europe after the United States, even ahead of Japan. Conversely, Germany is, by far, China's largest EU trading partner. Germany has consistently maintained a trade deficit with China. However, the proportion of the trade deficit on the total of bilateral trade is relatively small. The trade deficit has never become a matter of great political significance. With regard to FDI, since the end of the 1990s Germany has been China's largest European investor. In addition to the chemical industry (BASF and Bayer), the investments have been mainly made in the automobile sector (Volkswagen, BMW) and mechanical engineering.²²

Also the United Kingdom has adopted a commercial strategy of political support to British companies. As another example of the interplay between business and politics, during the state visit by Hu Jintao, the Chinese President, to the United Kingdom in November 2005 the two sides approved the entry into the Chinese market of Lloyd's of London. Moreover, a deal for the sale of the Rolls-Royce Trent 700 engines to Air China to power the new fleet of twenty Airbus A330-200's (worth US\$800 million) and a protocol extending cooperation on a US\$500 million contract to produce Airbus A320 family wing boxes in China were signed.²³ The United Kingdom consistently runs one of the largest trade deficits in the EU with China. In the period 2000–6, the annual growth rate of Britain's export to China was 12.3 per cent while import grew by 12.6 per cent in the same period. Although the UK government and the business community would certainly like to correct this imbalance, this has never acquired a political dimension. The stance of the UK government is generally anti-protectionist, and the strategy of London in correcting the trade deficit is indicated by the support given to British companies.

Unlike France, Germany, and the United Kingdom, Italy has relied less on politically-supported large-scale *grand contracts*. Italian small and medium enterprises (SMEs), have entered the Chinese market without direct support from Rome. The Italian government has helped its companies indirectly, by concentrating on the overall promotion of the 'made in Italy' brand. Italy's trade deficit is one of the biggest among the large EU member states. In the period 2000–6, the annual growth rate of Italy's export to China was 15.7 per cent while import grew by 16.9 per cent in the same period. The fear of an invasion of large quantities of Chinese products has become part of the domestic political debate. The emergence of a 'China question' in Italy is explained, in large part, by the fact that in a wide range of low-skill productions (such as textiles, shoes, etc.), Italy and China compete against each other, with the difference that Italy does not enjoy China's comparative low labour costs.²⁴

Table 3.6. EU members’ share of China’s market in 2007 (%)

	Exports	Imports
Germany	7.1	8.4
France	3.4	6.3
United Kingdom	2.1	4.5
Italy	1.7	4.1

Sources: Elaboration data from: China National Bureau of Statistics, the Ministry of Trade of Germany, France, the United Kingdom, and Italy. Assessment also based on personal consultations with officials from the earlier mentioned EU member states.

To sum up, despite a Common Commercial Policy (CCP) and repeated calls by the European Commission for increased policy coordination, EU member states continue to compete against each other for acquiring growing shares of the Chinese market (see Table 3.6).

This European rush for the Chinese market has been skilfully exploited by the Chinese leadership in order to obtain political concessions, usually in the form of silence over sensitive issues pertaining to China’s domestic affairs (human rights’ record, political liberalization, Tibet, Xinjiang, etc.) or national pride (Taiwan).

POLITICAL TRADE-OFF

In the decade between the mid-1990s (adoption of the EU’s new China policy) and until the mid-2000s (until Jacques Chirac and Gerhard Schröder were in power in France and Germany respectively), there seems to have been a tendency among the large EU members to give priority to commercial considerations over principles. It was the decade where EU–China relations reached a peak to the point that commentators would use words such as ‘love affair’ and ‘honeymoon’ for describing the excellent state of the relationship. In such a context, the large EU member states tended to adopt a non-confrontational attitude and to avoid raising contentious issues with Beijing. This attitude by the political leaders of some of the most influential European governments was greatly responsible for the European Union’s overall diminution of critical pressure on China and was repeatedly met with criticism from the European Parliament (EP), the smaller EU members (especially the Nordic countries), and NGOs. This approach by the large EU members has also been criticized by the United States on the grounds that such a

conciliatory and non-confrontational attitude towards Beijing by some of Europe's most powerful governments would tend to undermine the West's efforts to bring about domestic changes in the PRC as well as to show support to the democratically-elected government of Taiwan. A criticism only slightly mitigated after accession to power of Angela Merkel, the more principled German Chancellor in 2006, and Nicolas Sarkozy, the French President, in 2007.

The large EU member states have traditionally come to acquiesce to China's position on the Taiwan question. Sino-French relations, for instance, had become strained in the first part of the 1990s over France's sale of weapons to Taipei. Faced by commercial reprisals from Beijing, in 1994 the new French government led by Edouard Balladour decided to invert this downward spiral trend publicly reaffirming China's 'sole and inalienable sovereignty over Taiwan' and committed the French government to no further arms sales to Taipei. With these statements relations improved and French companies could return bidding for important contracts in the mainland. The shift in attitude in Beijing's favour was remarkable during the state visit by Hu Jintao, the Chinese President, to Paris in January 2004. On that occasion, President Jacques Chirac stepped up his criticism of Taiwan's planned referendum on 20 March 2004 (which would ask voters whether Taiwan should increase its defences, if China refused to redeploy hundreds of missiles pointed at Taiwan), describing it as a threat to stability in East Asia. Chirac stated that 'all initiatives that can be interpreted as aggressive by one side or the other are dangerous for everyone and thus irresponsible'.²⁵ Taiwan's Foreign Ministry countered that Taipei would go ahead with the vote, and blamed China for pressurizing European governments on the issue. In March 2005, Jean-Pierre Raffarin, at that time French Prime Minister, declared that the Anti-Secession Law adopted by Beijing (and clearly directed at Taiwan) was in line with France's policy on Taiwan and Cross-Strait relations. The Paris turn-around in attitude (though, in substance, there was no change in policy), appeared to be a clear attempt to gain visibility among Chinese leaders in order to obtain commercial advantages.

Germany, instead, would traditionally hold a more consistent position on the issue, having reaffirmed the 'one China' policy on many occasions. In January 1993, for instance, Chancellor Kohl refused to approve the sale of ten submarines and ten frigates to Taiwan in order not to upset relations with the PRC. From 1997 to 2005, during Schröder's governments, Germany further scaled down relations with Taiwan, in a clear move that demonstrated Germany's friendship to the Chinese people and government.²⁶

It is, however, on the question of China's human rights record that there has been the more remarkable trade-off between business and principles. The move to a more conciliatory and non-confrontational approach by the large EU members was manifest most visibly in the decision of the EU to cease

supporting a motion against China in the United Nations Commission on Human Rights (UNCHR). In 1997, EU unity on this issue collapsed. A number of states, led by France, with support from Germany, Italy, and Spain, argued that the exercise had become a farce, the resolution had never been passed and only once had made it onto the agenda. The belief was that the resolution not only had had no concrete impact on human rights conditions in China, but that it was also souring relations with Beijing. This was not only detrimental for European business interests, but it would also frustrate efforts to acquire influence over political developments within the PRC. In 1997, Denmark, the United Kingdom, and the Netherlands co-sponsored the resolution on China in a national capacity, Copenhagen tabling the resolution. Eventually, among the EU-15, ten member states supported the resolution, five voted against (France, Germany, Italy, Spain, and Greece). After this, it was agreed that, henceforth, the EU would cease its practice of supporting a resolution each year. After the French-led defection in 1997, a new EU approach to human rights in China was unveiled by the General Affairs Council (GAC), and codified in the 1998 Commission's document 'Building a Comprehensive Partnership with China'.²⁷ At the GAC meeting on 14 March 1998, EU member states agreed that at the upcoming 1998 UNCHR session, the EU would 'neither propose, nor endorse' any resolution criticizing China. This position not to co-sponsor the UNCHR resolution with the United States has been reached among EU members each year since 1998. In return for this conciliatory approach, China agreed to re-engage in a dialogue on human rights, a quid pro quo imposed most stringently by the more principled Nordic states. Sweden, Finland, and Denmark along with the Netherlands and Ireland have consistently put the issue of China's human rights record on top of their agenda, since their public opinions and parliaments pay great attention to the problem.²⁸

THE EU-CHINA DIALOGUE ON HUMAN RIGHTS

Since 1998 the EU-China human rights dialogue has been held twice a year. It constitutes the only platform to engage China on sensitive issues and for the channelling of EU concerns directly to the Chinese authorities. The European Commission supports the process through its human rights related cooperation programmes (on village governance, legal cooperation, promotion of women's rights, network on Human Rights Covenants, etc.). The European Commission's role was bolstered by the proactive stance on human rights adopted by Chris Patten, former European Commissioner for External

Relations (1999–2004). Known for his strong views on human rights in China since his days as the last British Governor-general of Hong Kong, Patten listed constructive engagement, multilateral cooperation, as well as the promotion of human rights, good governance, and the rule of law, as three basic objectives of the EU in its relations with East Asia.²⁹ According to the former External Commissioner, the EU–China dialogue on human rights is ‘the most complex and multifaceted dialogue on human rights’ which the EU has with any country.³⁰ Although the EU has succeeded in establishing such a dialogue with China, it suffers from conflicting interests and coordination problems between the GAC, the EU member states, the European Commission, and the European Parliament. Consultations are held under the CFSP framework and the resulting positions are coordinated by the European Commission. Moreover, some individual EU members (in particular, the Nordic countries and, to a certain extent, the United Kingdom and Germany, in particular under Chancellor Angela Merkel) regularly raise human rights concerns in their discussions with Chinese leaders. The EU–China human rights dialogue has been held for more than a decade now, guided by benchmarks set out by the Council of the EU. The latter also regularly evaluates the human rights situation and the impact of the dialogue upon it.

Over the years, the reports of the Council of the EU on human rights in China have underlined the persistence of a mixed picture of progress in some areas and continuing concerns in others. The Council has repeatedly acknowledged China’s considerable progress in its socio-economic development and steps towards strengthening the rule of law, while urging China to ensure effective implementation of such measures. At the same time, the Council has continued to express concern that, despite these developments, violations of human rights continue to occur, such as freedom of expression, freedom of religion, freedom of assembly and association, lack of progress in respect for the rights of persons belonging to minorities, continued widespread application of the death penalty, and the persistence of torture.³¹ In some instances, the Council adopted positions regarding particular individual cases of concern such as the case of Mr Hu Jia and other Chinese human rights defenders.³² EU concerns are also regularly published in the *EU Annual Report on Human Rights*.³³

The complex institutional mechanism of the EU makes it difficult to adopt a single stance on China’s human rights’ record. The leading and more consistent actor within the EU in promoting human rights in China has been the European Parliament. Since 1987, the EP has continued to make public criticisms of China’s human rights record, especially on Tibet, arbitrary detention, capital punishment, religious and political freedoms. Moreover, the EP has leveraged on the political prestige and international publicity that it can confer on foreign personalities embodying the struggle for the

advancement of human rights. In this context, the EP infuriated Beijing when, in 1996, it awarded the Sakharov Prize for Freedom of Thought to Mr Wei Jingsheng, at that time China's most celebrated dissident. Beijing also voiced its criticisms in October 2001 when the EP invited the Dalai Lama to address a joint session in Strasbourg. In March 2008, following the heavy-handed Chinese crackdown on riots erupted in Lhasa (Tibet), Hans-Gert Pöttering, the President of the European Parliament, invited the Dalai Lama to address the EP and called for EU leaders to consider boycotting the opening ceremony of the Beijing Olympic Games in August 2008 in a sign of protest against the continued violation of human rights and fundamental freedoms by the Chinese regime. In October 2008, the EP further infuriated Beijing by awarding the Sakharov Prize for Freedom of Thought to Mr Hu Jia, China's well known dissident jailed because of his activities in defence of human rights and freedom of expression. The meeting of Nicolas Sarkozy, President of France and also President of the European Council, with the Dalai Lama in December 2008 led Chinese leaders to postpone the yearly EU–China summit scheduled for 1–2 December 2008 in Lyon (France) as a sign of growing disaffection with Europe's stance on the Tibetan question. However, it has not always been like that. In August 2008, for instance, Sarkozy did not meet with the spiritual leader of the Tibetan people (sending his wife, Carla Bruni, and his Foreign Minister to greet him) and decided, instead, to attend the opening ceremony of the Beijing Olympic Games on the evening of 8 August 2008.

OF BUSINESS AND PRINCIPLES

The interplay of business and principles continue to characterize Sino–European relations. Various reasons can explain it. First of all, EU members must cope with the persistent habit by the Chinese leadership to link politics with trade, that is, to grant access to foreign investments and business on the basis of political considerations. With key investment contracts often decided personally by senior members of the Chinese government, it is assumed that only by maintaining good political relations with Beijing would it be possible to be awarded lucrative contracts for their national companies. This reasoning seems to be based on the perception that the coercive measures adopted in the 1990s on human rights issues had directly contributed to the European Union's relatively weak position within the Chinese market. Beijing had, in fact, openly adopted concrete commercial reprisals specifically at those EU states, such as Denmark and Sweden, which had insisted most strongly on a firm human rights policy. Similar commercial reprisals have continued to be

adopted. It was remarkable, for instance, that after the protests against the torch relay by pro-Tibetan groups and others in Paris in April 2008, the Chinese government as well as the common folk called for a boycott of French products as a reprisal to what was perceived as an insult to China's national pride. Some European political and business leaders had to intervene to stop the boycott. Joerg Wuttke, President of the European Union Chamber of Commerce in China, warned that any large scale boycott would likely hurt Chinese workers and companies and could be met by similar action against Chinese products in Europe. To avoid an escalation, the Chinese government put an end to the boycott while the French government reiterated its support for a peaceful solution of the Tibetan question.

Notwithstanding common European declarations at critical moments, there continues to be a glaring lack of political unity among EU member states and an ingrained habit of undermining each other in search of commercial advantages. The EU's China policy on human rights appears to provide, in fact, one of the clearest cases of diplomatic pressure at the EU level being undermined by EU member states' propensity, and ability, to undercut each other in search of commercial advantage. The weakness of policy coordination mechanisms among EU member states is skilfully exploited by the Chinese leadership and it contributes to the shift towards the less critical attitude towards China. It appears that concerns about gaining contracts for national companies have all too often overshadowed preoccupations for the situation of human rights in China. The governments of the large EU members, in particular, seem to have been unable (and unwilling) to link the promotion of human rights and political democratization in China with a broader definition of Europe's security. While the European Commission and the smaller EU members (in particular, the Nordic countries) have consistently brought up the issues of human rights and democratization in their discussions with Beijing, the large EU members – Germany (in particular, during the Schröder governments 1997–2005), France (in particular, during the Chirac Presidencies 1995–2007), Italy, Spain, and, to a lesser extent, the United Kingdom – have traditionally (though, not always) tended to avoid raising contentious issues with China in order to obtain politically-motivated commercial advantages. Given that London, Paris, and Berlin (and Rome as well to a certain extent) are probably the only EU members with a real political clout in international affairs, their largely uncritical attitude towards China in the period 1995–2005 has contributed to undermining Europe's international image.

The uncritical stance towards Beijing adopted by the large EU members has met with a certain amount of criticism from the United States. The case of China is revealing some differences in the conception of security between the

two shores of the Atlantic. Since the end of the Cold War, Washington has repeatedly advocated the link (though sometimes as a useful fodder) between the promotion of democracy and human rights with a broader notion of US national security. The different attitude between the United States and the EU emerged clearly during the negotiations for China's entry into the WTO. For instance, the EU appeared to have been more flexible than the United States over the preconditions for China's accession to the GATT/WTO. Unlike the United States, the European Commission (with the support of the large EU member states) granted Beijing a transitional membership status, which allowed China the benefits of membership but with a number of important exemptions in the short-term.³⁴ Moreover, while the United States tried to obtain, unofficially, some political concessions from China's entry into the WTO, the Europeans focused almost entirely on technical and commercial issues.

The divide between European and American positions over China is seen as being of considerable significance in Washington, with analysts routinely lamenting how the EU's China policy provides the most worrying demonstration of the fact that US pressure for political reform is undermined by some powerful EU governments.³⁵ The differences between the United States and the EU are evident in the different emphasis given to China's transformation process. While some US aid has tended to overtly fund politicized initiatives like the Radio Free Asia and Voice of America stations, Europe's priority has mainly been to respond to the Chinese government's own priorities in the field of governance, with the hope of securing a firmer foundation for subsequently expanding the scope of political aid. Through grassroots capacity-building and awareness-raising initiatives, such as the European Commission-managed village governance project, the EU's approach is principally aimed at establishing the democracy-related social capital requisite to prompting eventual political change.³⁶ The EU and its member states have come to the firm belief that by engaging Beijing in a constructive way and by concentrating on supporting China's transformation process and its smooth integration into the world community, over time the European Union would be able to acquire more leverage over political developments in China along liberal-democratic lines.

CIVILIAN POWER EUROPE

The European Commission's cooperation programmes with China constitute an important part of EU efforts to provide support for China's transition process, the sustainability of its economic and social reforms, and its further

integration into international society and world economy. While poverty alleviation is still an important issue in China (and it is a cross-cutting objective of a number of programmes by the European Commission) the current cooperation strategy of the EU aims to transcend the more traditional approach to development assistance as it takes into account the current contradiction in China's nature, namely that of a developing country in terms of certain traditional indicators on the one hand, and that of a significant player on the world stage in economic and political affairs on the other hand. Consequently, the European Commission's strategy is now geared towards three goals: (a) provide support for China's reform programme in areas covered by sectoral dialogues; (b) assist China in addressing global concerns and challenges over the environment, energy, and climate change; and (c) support China's human resource development. According to European Commission officials, this approach represents a response to China's needs, taking into consideration the comparative advantages among donors, and making the most of Brussels' resources.³⁷ The current strategy for cooperation with China is defined in the *China Country Strategy Paper (CSP) 2007–13*, a multi-annual planning and strategy document that provides the general framework for guiding, monitoring, and reviewing EU cooperation assistance to Beijing.³⁸ Indicative funding for the seven year period is €224 million.³⁹

An important element of civilian (and normative) power of Europe in China is represented by the growing number of sectoral dialogues and agreements. Sectoral activities currently cover a large number of different areas with the notable exception of exchanges pertaining to the areas of human rights and migration, which are dealt with in the framework of the EU–China political dialogue. Cooperation programmes and exchanges between the EU and China take place under different denominations depending on the specific context of the sector. They are referred to as 'dialogues', 'regular exchanges', or simply as 'cooperation', and they take place at various hierarchical levels, from working level to ministerial level. A variety of participants may be involved, including officials, politicians, business organizations, and private companies. Proceedings can be organized in a flexible way and take the form of working groups, conferences, annual formal meetings, or simply informal exchanges. Officials from all the Directorates General in the European Commission are involved in regular exchanges with their respective counterparts in China.⁴⁰ The sectoral dialogues serve a number of purposes: (a) develop a solid foundation for the EU–China relationship; (b) constitute an effective tool for further widening and deepening EU relations with China, for exploring new areas of common interest and exchanging know-how; and (c) pave the way for business and other operators by eliminating potential regulatory obstacles, and through raising awareness and facilitating contacts. Regular

exchanges between specialists, officials, and the business community are meant to boost mutual understanding and exploit opportunities.

The areas covered by the dialogues are many and growing by the day. They range from competition policy to education; from culture and energy (including nuclear energy) to the environment and space cooperation; from industrial policy and food safety to financial sector reforms and agriculture.⁴¹ All these initiatives are aimed at supporting China's modernization process and transformation into an open and well-off society. It is this approach across the board – which also entails significant financial commitment – that qualifies the EU's policy of constructive engagement with China and makes it unique compared to other international donors such as the United States or Japan. These cooperation programmes and dialogues represent one of the best examples of European civilian (and normative) power at work based as they are on:

The well founded belief that human rights tend to be better understood and better protected in societies open to the free flow of trade, investment, people, and ideas... This is a major reason why the EU will continue to support the active participation of China in the international community in all fields of policy.⁴²

Since 1997, the EU has been involved in various human rights governance projects at the grassroots level such as the Micro-Projects Programme designed to fund NGOs and academic institutions in China involved in strengthening civil society, human rights awareness, and the rule of law. While being generally well-received – and agreed upon – by the Chinese government, these EU programmes have also prompted reactions by some Chinese commentators on the basis that such projects are an attempt to 'Westernise... and disintegrate China' and as such they would command countermeasures.⁴³ Growing criticism to these programmes has not stopped their proliferation and implementation. In addition to the bilateral EU–China cooperation programmes, the EU entertains in fact several regional assistance programmes within the ASEM framework that are also open to China such as the EU Human Rights and Democracy Programme, while other projects are supported, for instance, through the European Community's non-governmental organization (NGO) co-financing programme.⁴⁴ The European Parliament has repeatedly expressed its support for an EU policy towards China aimed at transforming the country along liberal-democratic lines. In 2005, on behalf of the European Parliament, Helmut Kuhne, German MEP, declared that:

our [EU] general approach aims to help shape China into a fully integrated, responsible and predictable partner of the international community... from

the EU perspective, the full integration of China within the world economy is a necessary precondition for giving further impetus to forces within China seeking to pursue further economic and social reform.⁴⁵

In sum, there seems to be widespread agreement in Europe that a firm engagement policy and active cooperation in all fields of policy is necessary to help support China's transformation process towards an open society based on the rule of law and the protection of human rights. This approach would be subsequently deepened and widened with the establishment of strategic partnership in Autumn 2003 which would include space and defence-related fields of cooperation. With such upgrading, EU–China relations would enter a new phase which would eventually attract the attention, and the concern, of the United States and its Asian allies.

This page intentionally left blank

Part II

Balancing

On 30 October 2003, the EU and China established a comprehensive strategic partnership. This upgrading was based on the idea that relations between the two sides had gained momentum and acquired a new strategic significance. The declaration of strategic partnership was accompanied by two substantial moves: the signature that same day of the political agreement allowing China to participate in the joint development of Galileo, the EU-led global navigation satellite system alternative to the dominant American GPS, and the promise by some EU policy makers to their Chinese counterparts to initiate formal discussions on the lifting of the EU arms embargo imposed on China in the aftermath of the Tiananmen Square crackdown on students. Behind the rhetoric of official declarations, strategic partnership would thus take the form of a techno-political linkage based on cooperation in high S&T matters and attempt at exploiting business opportunities from the two sides' aerospace and defence sectors. Such a linkage in fields of policy of security and strategic nature would increasingly attract the attention, and the concern, of the US and its Asian allies.

EU policy makers would consider a techno-political linkage with China as instrumental for advancing the EU's role as a global centre in high S&T, foster Europe's global competitiveness in key technologically advanced industrial sectors, and promote greater autonomy from Washington in foreign and security affairs. For the Chinese leaders, a techno-political linkage with Europe would reinforce their regime, boost their country's comprehensive national power, and create the conditions for the emergence of an international system characterized by multiple poles of influence. Strategic partnership would thus provide an opportunity for some key EU member states (and high-ranking elements within the European Commission) together with Chinese leaders to challenge US primacy in key high-tech and security-related industrial sectors. The chosen time also indicated increasing disaffection, in particular by the European allies, with US unilateral attitudes in world affairs. It was, therefore, as much about commercial interests and concerns about global competitiveness in key high-tech sectors, as it was about different conceptions of global order.

Techno-Political Partnership

EU–China relations entered the twenty-first century in a better shape than at any other time in the past thirty years. Widespread engagement vis-à-vis each other had brought about huge commercial results, making the EU China's first trading partner and China the EU's second largest. An exchange of letters in April 2002 expanded Sino–European dialogue into regular, structured series of meetings at various political and technical levels. Cooperation and dialogues would continue to take place across the board. In such a positive context, on 30 October 2003 the EU and China established a comprehensive strategic partnership. This upgrading was based on the idea that relations between the two sides had gained momentum and acquired a new strategic significance. The declaration of strategic partnership was accompanied by two substantial moves: the signature that same day of the political agreement, allowing China to participate in the joint development of Galileo, the EU-led global navigation satellite system alternative to the dominant American GPS; and the promise by some EU policy makers to their Chinese counterparts to initiate formal discussions on the lifting of the EU arms embargo imposed on China in the aftermath of the Tiananmen Square crackdown on students. With these moves, Sino–European relations would enter a new phase which would increasingly attract the attention, and the concern, of the United States and its Asian allies.

Sino–European space cooperation and the proposal to lift the arms embargo were notable messages addressed to the United States. These initiatives can be seen as an act of soft balancing against the current hegemonic power from two of the most ominous emerging strategic actors in the post-Cold War period. While China was regarded as the more likely peer–competitor of the United States in the long run, it was the initiatives taken by some of the most powerful EU member states (i.e. France and Germany, for instance) that surprised many in Washington. Why did the EU decide to establish a 'strategic partnership' with China and accompany it with plans for a Sino–European techno-political linkage? What did EU and Chinese policy makers want to achieve?

A QUESTION OF GLOBAL ORDER

The strategic partnership was a clear attempt by some key EU member states (and high-ranking elements within the European Commission) together with Chinese leaders to challenge US primacy in key high-tech and defence-related industrial sectors. The chosen time also indicated increasing disaffection, in particular by the European allies, with US unilateral attitudes in world affairs. Therefore, it was as much about commercial interests and concerns about global competitiveness in key industrial sectors, as it was about different conceptions of global order.

In September 2003, the European Commission had released its fourth policy paper on China: *A Maturing Partnership: Shared Interests and Challenges in EU–China Relations*. The document called for a strategic partnership with Beijing, stating that:

It is in the clear interest of the EU and China to work as strategic partners on the international scene. . . . Through a further reinforcement of their cooperation, the EU and China will be better able to shore up their joint security and other interests in Asia and elsewhere.¹

In October 2003, the Chinese Ministry of Foreign Affairs released its answer to the European Commission's document. In the *China's EU Policy Paper* it was pointed out that 'China is committed to a long-term, stable and full partnership'. The Chinese document stressed Beijing's desire for closer political ties with the EU, indicating that China would continue, at the same time, to deepen its relations with individual EU governments.² China's interest in cultivating a partnership with the EU and, individually, with the large EU member states must be seen as part of China's attempt to cope with the new geopolitical realities of the post-Cold War era characterized by American primacy. Chinese leaders have often declared their preference for the advent of an international system in which the United States would no longer be so dominant, and where China could regain its rightful place in the community of states. Beijing's efforts in establishing partnerships with other great- and middle-size powers would be both a reflection of the transition to multipolarity and an arrangement that would accelerate that process.³ According to Avery Goldstein, strategic partnerships aim to 'enhance [China's] attractiveness to the other great powers while retaining flexibility by not decisively aligning with any particular state or group of states'.⁴ Since the mid-1990s, strategic partnerships have allowed Chinese leaders to address their own concerns regarding US primacy, but without alienating the economically indispensable American market. A strategy flexible enough to allow Chinese leaders to change direction, if circumstances change.

In the *China's EU Policy Paper*, the Chinese Ministry of Foreign Affairs pointed out that 'the trend towards world multipolarity and economic globalization is developing amid twists and turns... and is an irreversible trend of history'.⁵ Therefore a strategic partnership with the EU and its larger member states would be a top priority as it would serve to promote global multilateralism, the democratization of international relations, and what is being referred to as global multipolarization.⁶ Interestingly, the notion of democracy is used here in a different manner by the two sides. Whereas EU policy makers emphasize the importance of advancing human rights and democracy within China, Beijing leaders are rather busy underlining the external dimension of democracy. For Chinese leaders, nations of the world should externally 'respect diversity in the world and promote democracy in international relations' but without interfering with the domestic arrangements and internal affairs of sovereign states.⁷ In the same vein, *China's EU Policy Paper* stresses that the 'one China' principle would remain a cornerstone of EU-China relations and that Beijing appreciates the EU's non-confrontational attitude to human rights in China.

Chinese leaders would hope to enlist the EU as one of the emerging poles that, at least in principle, could work with Beijing in fostering a multipolar environment and limit some of the perceived American unilateral attitudes in world affairs. In Beijing's view:

the EU is a major force in the world... the European integration process is irreversible and the EU will play an increasingly important role in both regional and international affairs.⁸

For Chinese leaders, China and the EU are both on a peaceful rise, that is, on the way to becoming global balancing forces pursuing similar international political strategies.⁹

Chinese leaders' statements would run high in rhetoric regarding the need for democratizing international relations and call for the advent of an international system based on multilateralism, and the role of the United Nations as the best way to solve global problems and contain the unilateral policies of the United States. These declaratory commitments to multilateralism would however find practical translation, for instance, into growing contributions, both financial and in terms of personnel, to UN peacekeeping missions. China's political will to espouse the reasons of diplomacy and multilateralism and be regarded as a responsible power would also be proved in the Chinese commitment to the '6 Party Talks' aimed to untangle the question posed by the North Korean nuclear issue.

China's responsible behaviour in world affairs would be repeatedly recognized by EU policy makers. In such a context, ideas such as the democratization of

international relations and the creation of a more balanced world order (with the corollary of attempting to put some limitations to US unilateralism in world affairs) would be largely shared by some political elites in Europe in the period 2003–5, in particular in France, Germany, Italy, Spain, and within the top level of the European Commission. Pascal Lamy, former EU Commissioner for Trade (1999–2004), declared the day after the signing of Sino–European strategic partnership that ‘[in Europe] we are happy to see... a greater diffusion of power, a more multipolar world developing’.¹⁰ In its 2003 policy paper on China, the European Commission added that:

China is one of the EU’s major strategic partners... China’s geopolitical vision of a multipolar world, and the Chinese perception of the EU as a partner of growing importance, also provide a favourable context... the EU as a global player on the international scene shares China’s concerns for a more balanced international order.¹¹

For most EU policy makers, a more balanced international order would entail a world based on multilateralism and the role of international institutions. It appears that most EU policy makers would agree with the classic definition provided by Robert Keohane of multilateralism as an institutional approach that ‘prescribes behavioural roles, constrains activity, and shapes expectations’ among a group of states.¹² Multilateralism would thus provide a set of principles and rules of conduct to be used to overcome ‘particularistic interests’¹³ and the unilateral attitudes by hegemonic powers. EU policy makers would tend to largely espouse such a liberal view of inter-state relations as it would be quite different from power balancing in the classic sense. In Autumn 2003, this vision would seem to largely meet Chinese leaders’ stated desire of a multipolar world based on multilateralism.

In an environment characterized by US primacy, China’s version of multipolarity would not be intended to confront head-on the United States as the lonely superpower, but rather it would take the form, as discussed earlier, of the establishment of strategic partnerships with other great- and middle-size powers within a broader multilateral system based on international law and the role of the United Nations Security Council (where China enjoys permanent status), seen as means to restrain American power in the post-Cold War era. Such an understanding of the notion of multipolarity by Chinese leaders should be seen, according to Christopher Hughes, as an ‘essentially domestic discourse that is designed primarily to soothe nationalist pressures, rather than as a foreign policy prescription’.¹⁴ Along similar lines, EU policy makers’ notion of multipolarity also addressed domestic audiences (in particular, in countries such as France) and employed for meaning an international system in which ‘each large geographic region, each big power and

collectivity of states, can assume together their responsibilities, with the UN being the grand symbol'.¹⁵ In other words, 'a benign multipolar international system whose *modus operandi* is multilateralism'.¹⁶ Or, as some scholars put it, a way of 'multilateralizing multipolarity'.¹⁷ On this basis, the EU and China could find common ground in 2003. But what would be, in practice, the content of this EU–China strategic partnership based on multilateralism and international law?

In a speech in Shanghai in 2005, Javier Solana, the EU High Representative for the Common Foreign and Security Policy, stated that the strategic partnership would be based on the fact that Europe and China discuss and seek to cooperate on 'global strategic issues such as the proliferation of weapons of mass destruction and international terrorism... global security of energy supply, regional crises and the environment'.¹⁸ The strategic partnership is therefore based on common discussions and engagement to defuse the crisis that could impact on the EU and China, such as North Korea and Iran. Moreover, Solana declared that:

China and the EU have the same broad agenda in seeking to address current global challenges... they are natural partners in many ways... they both prize international stability and order... and they are both strong supporters of multilateralism and international law as the best means to achieve this. Consultation with each other, and other partners, is the rule for us, not the exception. We know that this brings us strength... We are also consulting more on our regional policies and programmes. To my mind, this is what strategic partnership is all about.¹⁹

In its turn, the Chinese leadership would repeatedly stress that the strategic partnership should be comprehensive, including cooperation in the field of traditional security (terrorism, the proliferation of weapons of mass destruction), as well as non-traditional security issues (such as the joint fight against illegal immigration, energy security, the environment and climate change, and health security).²⁰ In a speech in Brussels in May 2004, Wen Jiabao, the Chinese Premier, laid out China's interpretation of this comprehensive strategic partnership:

By 'comprehensive', it means that the cooperation should be all dimensional, wide ranging and multi layered. It covers economic, scientific, technological, political and cultural fields, contains both bilateral and multilateral levels, and is conducted by both governments and non governmental groups. By 'strategic', it means that the cooperation should be long term and stable, bearing on the larger picture of China EU relations. It transcends the differences in ideology and social system and is not subjected to the impacts of individual events that occur from time to time. By 'partnership', it means that the cooperation should be equal footed, mutually beneficial and win win. The

two sides should base themselves on mutual respect and mutual trust, endeavour to expand converging interests and seek common ground on the major issues while shelving differences on the minor ones.²¹

Given the size and significance of both the EU and China in world affairs, establishing a strategic partnership would inevitably touch upon questions of world order. José Manuel Barroso, the President of the European Commission, recognized it, pointing out in a speech in Beijing in 2005:

The development of a strategic, mutually beneficial and enduring relationship with China is one of the EU's top foreign policy priorities for this century. In achieving this goal we must convince the international community that the EU China partnership is not a threat, but an opportunity to create a more stable and balanced international order.²²

No matter how benign and how much based on multilateralism and international law this multipolar world order might be, such discourse would raise some worries in the United States. Since the beginning, the Bush administration would come to perceive the EU–China strategic partnership as a political initiative containing elements which would seek to limit US global influence and power.²³ This reading would find support in the projections made by the US intelligence community and subsequently published (December 2004) in the report *Mapping the Global Future: Report of the National's Intelligence Council's 2020 Project*. In the document, the Strategic Assessment Group projected that by 2020 both China and the EU could have nearly as much power as the United States.²⁴

What would attract the attention, and the concern, of the United States was that the upgrading of political relations between China and the EU was accompanied by two initiatives (space cooperation and the proposal to lift the arms embargo) that would impinge – albeit inadvertently in the eyes of the Europeans – on the strategic interests of the United States in East Asia. Moreover, the establishment of a Sino–European strategic partnership came to coincide with one of the worst crises in transatlantic relations, mainly due to disagreements over the US-led Iraq war. France and Germany were in the forefront of Europe's opposition to the Iraq war and the perceived unilateral attitudes of the United States. Paris and Berlin were also the two EU members that more strongly supported the establishment of an EU–China technological linkage. By doing so, they would hope to gain bigger shares of the Chinese market and send, at the same time, a not-too-veiled political message to Washington. The period between Autumn 2003 and Summer 2005 (when the proposal to lift was officially shelved) became thus the timeframe for one of the most ominous attempts to soft balance against US primacy in the post-Cold War era.

SOFT BALANCING IN THE POST-COLD WAR ERA

Since the demise of the Soviet Union, International Relations scholars have questioned whether the post-bipolar period would witness the emergence of a new balancing order and the rise of great powers that could challenge American primacy.²⁵ While some scholars predicted a long period of unchallenged supremacy by the United States, structural realists such as Michael Waltz argued that unipolarity contained the seeds of counterbalancing actions by second-tier great powers, and as such they would expect balancing strategies, both hard and soft, against US unipolar moment.²⁶ Liberal institutionalists and 'balance of threat' realists perceived unilateralism as a likely way to alienate allies and dilute US soft power. G. John Ikenberry argued that unrestrained reliance on military might would undermine the foundations of US institutionalized primacy after the Second World War.²⁷ Stephen M. Walt added that restraint would ensure US hegemony by minimizing opposition by other great powers.²⁸ Robert Kagan would instead argue that appeals to rules and international organizations were attempts by weak actors such as the EU to tie down strong nations such as the United States.²⁹ Eventually, the world would see neither external balancing through the formation of alliances, nor internal hard balancing through military build-ups of would-be competitors of the United States.³⁰ By the turn of the millennium, the debate had shifted on finding explanation to the 'unipolar moment' of the United States and the absence of balancing strategies by second-tier great powers against American supremacy.³¹ The debate would then move on to whether balance of power politics was emerging in a more subtle guise, namely whether in the absence of hard balancing, great powers could be engaged in soft balancing to counter US primacy.

As Christopher Layne put it, 'fundamentally, balancing is a countervailing strategy', adding that 'states balance when power is overconcentrated, because power asymmetries put weaker states at risk of being dominated by the strongest one'.³² Scholars have also identified other strategies that can be followed by great powers including bandwagoning, buck-passing, bait-and-bleed, and hiding, among the others.³³ Yet, balancing remains the most common (and most studied) strategy for dealing with hegemonic powers. Most of the literature has focused on the notion of hard balancing, traditionally employed by scholars for explaining a change in the military balance in an actual or (more often) potential conflict by contributing military capabilities to the weaker side through measures such as military build-up, war-fighting alliance, or transfer of military technology to an ally. Soft balancing, instead,

includes actions that rely on non-military tools such as the use of diplomacy, international institutions, and international law to constrain and delegitimize the actions of the superior state. Moreover, soft balancing can take the form of initiatives aimed at closing the economic and technological gap between second-tier great powers and the hegemonic state.³⁴ It is in this latter connotation that the notion of soft balancing, applied to the phenomenon of the techno-political linkage between the EU and China since Autumn 2003, would find a prominent example. What would be, in practice, the expected outcome of soft balancing?

For some scholars, soft balancing aims to have a real, if indirect, effect on the military prospects of the hegemon of the international system. Other researchers have instead observed that soft balancing could also simply aim at the hegemon's intentions and not exclusively (though indirectly) at its military capabilities. According to Robert A. Pape, 'a core purpose of soft balancing is not to coerce or even to impede the superior state's current actions, but to demonstrate resolve in a manner that signals a commitment to resist the superpower's future ambitions. Accordingly, the measure of success for soft balancing is not limited to whether the sole superpower abandons specific policies, but also includes whether more states join a soft balancing coalition against the unipolar leader'.³⁵ For Pape, soft balancing 'is replacing traditional hard balancing as the principal reaction of major powers to the Bush administration's preventive war doctrine'³⁶ adding that 'the world's major powers are reacting to concerns over U.S. intentions, not U.S. capabilities'.³⁷

De facto soft balancing appears thus to be driven by a combination of economic interests, security concerns, domestic motives and, occasionally, the desire to counterbalance the superior power. The adoption of a common currency in 1999 can be seen as an example of economic soft balancing. This happened at a time of slow decline of Atlanticists orientations in Western Europe coupled with reduced military US presence and the reorientation of Washington's strategic priorities away from the European theatre and into East Asia and the Middle East, a turn about enshrined in the *Quadrennial Defense Review* released by the Bush administration on 30 September 2001.³⁸ Opposition to the US-led Iraq war by France and Germany in 2003 and the creation of a European Security and Defence Policy including efforts for an increased EU security role can be considered, after the birth of the Euro, as another powerful example of soft balancing against US primacy by the European allies.

The establishment of a techno-political linkage between the EU and China in 2003 must therefore be seen as a practical extension at the level of international politics of the determination by the EU and its member states (in particular, the large continental nations of Western Europe) to assume a

greater – and more autonomous – foreign and security policy role. In the case of EU–China strategic partnership, the aim would not be US military preponderance (at least not for the European allies) but US intentions in key technological and strategic sectors like aerospace and defence. US policies in these sectors in the post-Cold War period had come to be perceived as a challenge – if not a threat – for global competitiveness and autonomy by both EU and Chinese policy makers. The decision to invite China and other space-faring nations to jointly develop the Galileo satellite system also derives from different transatlantic conceptions on the use of space. While Washington concentrates on leveraging the space to provide America and its allies an asymmetric military advantage, the EU is more concerned in creating useful (i.e. commercial) space applications. Sino–European space cooperation is thus meant to boost commercial activities while the United States looks at space from a different angle, that is, the protection of its global interests and primacy in world affairs. The EU thus uses international cooperation in the Galileo project to disseminate trust and the peaceful use of space technology. Sino–European space cooperation can be rightly seen as a reaction to US uses, and intentions of its space primacy.

The Bush administration would oppose the Galileo project since the beginning as it was interpreted as paving the way, over time, to EU increased technological and operational autonomy from Washington. As a counter-measure, the United States included as many EU members and companies as possible in the Joint Strike Fighter project which, according to some observers, would serve as a Trojan Horse for preventing the creation of a large EU defence-industrial complex able to challenge the American dominant position in the defence sector. In this vein, the proposal to lift the EU arms embargo on China (currently shelved) can be seen as another attempt by some powerful EU member states (in particular, France and Germany, but also Italy and Spain) to soft balance against US primacy in the defence sector by opening up to the very promising Chinese defence market and procurement budget. It must not be forgotten, however, that the proposal to lift was mainly a political act of recognition of a rising China by the EU. The message to Washington was that China could (and should, according to the advocates of the lifting) be treated as a ‘normal’ great power. Recognition of China as a ‘normal’ power by the EU would eventually contribute to shed dependency in security and political matters from Washington and open up new avenues in world politics outside the hegemonic interests of the United States. This attracted most of the attention, and the concern, in Washington. The aim of the proposal to lift was neither US military capabilities nor an attempt to intentionally affect East Asia’s strategic balance by arming – or openly siding with – Beijing. As in the case of cooperation with Galileo, the proposal to lift

would have been, mainly, a symbolic act intended to influence, eventually, US intentions and posture over China in a direction more in tune with the EU's policy of constructive engagement.

STRATEGIC TRIANGULATION

The efforts of the EU in upgrading political relations with Beijing would run parallel with one of the worst transatlantic crises of the entire post-Second World War period. While in the aftermath of 11 September 2001 terrorist attacks there had been a significant outpouring of Euro-American solidarity, the debate about whether or not to invade Iraq had provoked a deterioration in transatlantic relations not seen in decades. For instance, Donald Rumsfeld, the US Defence Secretary, referred to France and Germany as 'old' Europe and compared Germany's Iraq policy to that of Libya and Cuba. Jacques Chirac, the French President, condemned Central and Eastern European countries for their support to the US war against Iraq and threatened to block their accession to the EU because of it. During the debate as to whether to invade Iraq, eight North Atlantic Treaty Organization (NATO) members and ten EU candidates publicly lined themselves up with the US administration rather than with France and Germany; and the list could continue. These kinds of disagreements and misinterpretations revealed the presence of a deeper problem: French and German opposition (backed by Russian) to the US-led Iraq war was not simply animated by a desire to protect lucrative contracts with Iraq or fear of a loss of influence in a post-Saddam Iraq. It was, as the French maintained, a dispute about 'ideas and principles'. It was, in particular, about a fear of US hegemony and its unilateral attitude in world affairs. While the French position of autonomy within the Western camp did not surprise many (though it angered most Americans), it was the changing attitude of the German government that had been the real new factor. Furthermore, the upsurge of European public opinions contributed significantly to bolster France's resistance and support the new German stance against the US-led Iraq war. European public opinions played a bigger role in this crisis than in most other diplomatic quarrels of the last decades. In fact, while the European governments were divided, European public opinions were not, and they voiced their opposition to the Iraq war by staging huge mass demonstrations in Spring 2003, not seen in Europe since the Vietnam war. On the other shores of the Atlantic, as a further example of the widening divide, the majority of Americans (according to opinion pollsters) backed George W. Bush's intervention in Iraq.

The Franco–German opposition to the Iraq war would also put further pressure on the long-coveted idea to promote autonomy from Washington in defence and security matters. The governments of France, Germany, Belgium, and Luxembourg (the same group that opposed the American intervention in Iraq) called a summit on 29 April 2003 to discuss the creation of a group to coordinate European defence procurement, establish a common military headquarters, and construct a unified force. France and Germany also pushed for creating an independent military planning headquarters for the EU to carry out missions independent of NATO – a move strongly rejected by the United States and the United Kingdom, worried that this could lead to competition with NATO and further erode NATO’s position.

For the Franco–German axis, the overall aim was the construction of a powerful and assertive European presence on the world stage that could be capable of contributing to the management of world affairs alongside the United States, recognizing yet the principle that there could be disagreement and incompatibility of perceptions between Europe and America, and that it needed to be recognized and acted upon. It was in this context of transatlantic divergence on issues pertaining to European autonomy and world order that the Franco–German couple pressed ahead with the establishment of strategic partnership with China, supported Beijing’s invitation to join in the development of Galileo, and made the promise to Chinese leaders to start discussions on the lifting of the EU arms embargo on China. Chinese leaders, in turn, were eager to jump at such a possibility to advance the emergence of a multipolar world order and, in the process, exploit the contradictions between the transatlantic allies.

For EU policy makers, a techno-political linkage with China through space and satellite navigation cooperation and the proposal to lift the arms embargo would achieve a number of political objectives, other than boosting the ever important commercial ties. Firstly, it would help in promoting Europe’s autonomy from Washington in political and security matters, including EU defence interests. Secondly, it would send a message to the United States that the EU and China were ready – and capable – to join forces to promote their industrial and technological interests in order to maintain (and improve) their global competitiveness in key strategic industrial sectors. Precisely the same EU governments of France and Germany (plus Belgium and Luxembourg) which drew plans for coordinating European defence procurement and constructing a unified force would be in the forefront to push (with Italy and Spain as well) for a closer linkage with China’s industrial-military complex. This was not a turn about of alliances leading the way for some kind of hard balancing against the United States. On the contrary, the EU member states promoting defence autonomy and a security role for the EU would do

this while remaining firmly in the NATO alliance and industrial defence cooperation mechanisms with the United States. Europe's techno-political linkage with China must rather be seen as a response to long-standing fears about technological dependency and declining international competitiveness dating back to the early 1990s. Diverging opinions on the Iraq war and on US unilateral attitudes in world affairs, coupled with the lure of the Chinese market provided a timing occasion. But the real long-term objective was to counter US primacy in key technological sectors and promote EU autonomy, something which had been in the pipeline since the early 1990s.

PROMOTING EU AUTONOMY

After the first Gulf War, EU policy makers had begun to perceive a new security concern that some scholars described as the interrelated issues of increasing technological dependency and declining international competitiveness.³⁹ This new threat was perceived to come increasingly from the high technology industries of the United States. According to the European Commission:

A new threat perception arising not from the East but from the West emerged in Europe during the second half of the 1990s. It was not a threat to national security and independence, but to European military industrial survival and advanced technology competitiveness.⁴⁰

According to French analyst François Heisbourg, this emerging American threat was a direct consequence of how EU policy makers evaluated the technology policy promoted by the Clinton administration.⁴¹ Although the fundamental intent of many US programmes was domestic, the comprehensive set of initiatives taken by Washington after 1992 in high technology, defence industrial, and exports promotion policies was perceived by EU policy makers as promoting an enhanced role of economic and technological issues in defining the national security priorities of the United States. A series of decisions taken by the Clinton administration led German and French observers, in particular, to stress that the EU would increasingly have to deal with a changed US perception of technology as an element of economic security.⁴²

The creation in early 1993 of the National Economic Council (NEC), coupled with the establishment in 1994 of the position of Assistant Secretary of Defence for Economic Security (disestablished in 1996), indicated that the Clinton administration was proposing a strong link between the preservation

of American military and technological power and the vigorous pursuit of its own economic interests in global markets. Moreover, the launching of the Technology Reinvestment Program (TRP) in 1993 was the largest dual-use technology development effort ever attempted by the US Department of Defense. Its goals were to spin off defence technologies into commercial fields; lower costs for new defence technologies; and develop military useful and commercial viable technology in order to improve access to affordable and advanced technology. The Clinton administration would also make it clear that the United States would use federal funds to promote the rationalization of the American defence industry through a series of mergers to create giant corporations.⁴³

These high-technology policy developments in the United States, combined with a new emphasis on economic security in defining the national security priorities of the United States, led EU – and Chinese – policy makers to rethink and adjust their industrial and technological goals, including the most appropriate means for achieving them. In the case of Europe, by the mid-1990s this reorientation had begun to be articulated around notions of a ‘US technological threat’. For some French scholars, the United States had indeed begun to promote a new international order in which advances in high-technology functioned as instruments to achieving economic and military dominance.⁴⁴ This reading held that the American battle order with regard to Japan and Europe had been organized and conceptualized using concepts of economic security. As a result, the defence of the economic interest of the United States had been elevated to the level of a strategic priority.⁴⁵ In this context, leading German industrialists, referring to post-Cold War developments, began to voice concerns about Germany’s ability to maintain a competitive position in high-technology sectors.⁴⁶

In the aftermath of the end of the Cold War, due to the realization that technological innovation was increasingly being driven from the commercial side and that it had to be integrated into military systems, defence industrial issues started to be perceived as having an impact on the EU’s technological competitiveness and economic security and increasingly related to issues pertaining to EU political autonomy.⁴⁷ The promotion of the Airbus programme in the 1990s, for instance, became the first case in which the European Commission used its financial assets to create competitors to the American-dominated aerospace sector.⁴⁸ Following the 1996 Boeing–McDonnell Douglas merger, the Trilateral Statement of 9 December 1997 by France, Germany, and the United Kingdom called for the restructuring of the European aerospace and defence industry in order to limit overdependence on the United States. The first step of the restructuring process was the establishment of Airbus, which can be seen as a clear strategic move by some

of the large EU members (in particular, France and Germany) in response to a perceived challenge embodied in the US dominance of the global aerospace industry.⁴⁹ EU policy makers and industrialists also started to push forward proposals for a thorough integration and restructuring of the aerospace and related defence industries in Europe, establishing a single integrated European Aerospace and Defence Company (EADC) and merging all relevant assets.⁵⁰ This agreement paved the way for the creation of the European Aeronautic Defence and Space Company (EADS) in 1999.⁵¹ The consolidation of a pan-European defence industry in the 1990s would create the material foundation of an autonomous security role. Subsequent efforts to consolidate a European Defence Industrial and Technological Base (EDITB) – also through projects such as the Airbus A400M transporter and the Galileo satellite system, developing an integrated European Defence Equipment Market (EDEM), and coordinating planning through a European Defence Agency (EDA) would enhance European security autonomy and constitute *de facto* soft balancing within the Western camp. In this context, the establishment of an EU–China strategic partnership with plans for high-tech and satellite navigation cooperation, including prospects of a linkage between the two sides’ defence sectors (had the arms embargo been lifted) would be instrumental for acquiring new and very promising markets, contribute to maintaining Europe’s global competitiveness in key advanced technology sectors, and further political autonomy from the United States. By opening up to China, as the logic went, EU aerospace and defence industries would also secure themselves against too much dependence on US technology. In a global context, high S&T international cooperation had become a prominent element of the response to the perceived technological challenge originating from the United States. Europe’s use of S&T international cooperation as a foreign-policy tool for acquiring greater autonomy from Washington would be greatly welcomed by a Chinese leadership who had always been extremely interested in promoting S&T exchanges as well as security and defence cooperation with the advanced nations of Europe. This would play, in turn, into the Chinese strategy to increase comprehensive national strength and counter the technological supremacy of hegemonic powers: the United States and the Soviet Union during the Cold War, the United States alone afterwards.

CHINA’S HIGH-TECH LONG MARCH

The idea of promoting science and technology as the key elements for increasing national strength and modernizing the army dates back to the

late 1970s. Deng Xiaoping himself pointed out the need to keep up with the latest developments, as well as engaging in international exchanges of scientists and information, if the primary task of sustaining the country's economic growth and overall national power were to be achieved.⁵² Since the beginning of the reform period, China would launch five major science and technology programmes. The first one was the Key Technologies R&D Programme initiated in 1982 to serve the country's industrial development by concentrating resources on technologies that were urgently needed in order to upgrade the industrial sector and foster economic growth. The second one was the Spark Programme in 1986, which was aimed at developing the rural economy through science and technology and initiating technological changes in village and town enterprises.

In March 1986, a report on *Suggestions on Tracing the Development of World Strategic High Technology* was submitted to the State Council and became the platform for the High-Tech Research Development Programme (known as the 863 programme). The main mission of the programme was to monitor international developments in advanced technologies and submit suitable proposals to the Chinese authorities. The focus was on reducing the technology gap with developed countries in the seven fields regarded as most critical for China's long-term national security and economic competitiveness: automation, biotechnology, energy, information technology, lasers, new materials, and space technology. This strategic technology programming came to comprise the largest source of direct central government finance for research and development in priority sectors such as space, lasers, and supercomputing. The 863 programme coincided with initiatives in Japan and the EUREKA programme in Europe, with the difference that in the case of China, strategic weapons scientists would be at the forefront of this 'new technological revolution' in Chinese S&T thinking.⁵³

By making the linkage between high-tech developments and international competition, the 863 programme was a sign of the increasing importance attached by Chinese leaders to the upgrading of high technology capabilities for China's long-term economic development and comprehensive national power. In the aftermath of the end of the Cold War, Chinese leaders (like their European, American, and Japanese counterparts) would come to perceive technological innovation as being increasingly driven from the commercial side. Advances in the civilian sector had to be consequently integrated into military systems. The result was that defence industrial issues would begin to be perceived as having an impact on China's technological competitiveness and overall economic security. The development of dual-use technology would eventually become one of the main priorities. For instance, while work on lasers and aerospace had military implications, design and production

improvements affecting commercial aircraft development would be a major goal of the 863 and subsequent programmes.⁵⁴ In the same vein, commercial goals would remain paramount in most information technology domains in China. Overall, the 863 programme would make it clear that Chinese technology programmers would understand defence requirements as fundamentally a derivative of developments in the commercial sphere, showing that civilian and military modernization had become inextricably linked.

After the 863 programme, the Chinese government launched the Torch Programme in 1988 with the specific objective of developing new technology industries in China and in 1997, the National Basic Research Programme of China (known as the 973 programme) was set up. The overall objective of 973 was to establish a number of scientific projects that would boost China's long-term economic (and military) development. The growing importance of strategic technology programming was included in Jiang Zemin's ideology of the 'Three Represents' which, by the end of the 1990s, elevated scientific and technological personnel to the status of a revolutionary vanguard leading the nation to wealth and power.⁵⁵ The perception of technological advances as an important element for economic security would therefore acquire centre stage.

In the 2001 blueprint for *Medium to Long-term Social and Economic Development*, the Chinese government singled out science and technology as the 'primary production forces'.⁵⁶ The necessity of narrowing the gap between China and the world's advanced science and technology actors figured among the main tasks. In 2004, the Chinese government adopted the 2020 Science and Technology Plan, with the objective of catching up with the developed countries and becoming a knowledge-based economy by 2020. In the outline of the 11th Five-Year Plan for China's National Economic and Social Development, approved in March 2006, it was stated that China will launch a number of major S&T projects, especially in ICTs, energy, water resources and environmental protection, biotechnologies, health care, industrial re-engineering, new materials, and space technology. Calling for a 'scientific approach to development', the plan recognizes that scientific research and innovation are key factors in increasing the overall technological level of industry and improving competitiveness across all sectors. Moreover, the Chinese State Council published an *Outline of the National Programme for Long and Medium-term Development of S&T*, indicating that the country's expenditure on S&T would account for 2.5 per cent of GDP by 2020 and that the annual R&D budget would be around \$ 110 billion, similar in percentage to that of the developed nations.⁵⁷ In 2008, China spent 1.45 per cent of its GDP (up from 0.7% in 1998) on research and technological innovation (the highest percentage among developing countries). By mid-2008, China would

account for almost 3.5 million people engaged in various S&T areas, making this the largest S&T community in the world. Of these, around 1.5 million work on R&D related activities, putting China in second place after the United States.⁵⁸ In 2006, according to the World Intellectual Property Organisation (WIPO), China deposited 5,935 patents, (up 56.8% from the previous year), ranking eighth in the world.⁵⁹

Chinese leaders have always emphasized that access to scientific research and advanced foreign technology are crucial factors for sustaining the country's modernization process and economic growth, the latter being, as discussed earlier, one of the three main historical tasks established by Deng Xiaoping for guaranteeing the legitimacy of the post-Mao Chinese Communist Party (CCP) leadership. Fostering science and technology cooperation with Europe and other developed nations falls thus within the Chinese leadership's overarching goal of promoting the country's comprehensive national power. Over the last two decades, S&T cooperation has become a key feature of Sino-European relations, making the EU China's most important source of scientific expertise and advanced technology. This form of cooperation would help the EU in advancing its role as a global centre in high S&T, while contributing to China's overall modernization. Sino-European cooperation in S&T goes back to the beginning of the relationship and has greatly improved in recent times.

KNOWLEDGE-BASED STRATEGIC PARTNERSHIP

EU-China cooperation in science and technology has evolved over the years, reflecting China's own advances in S&T. There has been a gradual shift from unilateral receipt of aid at the beginning of China's reform period in the late 1970s to the present environment of joint investment and research based on equality and mutual benefit, as in the case of high S&T projects such as ITER (the International Thermonuclear Reactor) and Galileo (the EU-led global navigation satellite system). Chinese leaders have highlighted on various occasions that cooperation in science and technology is a key element of the strategic partnership. In the 2003 *China's EU Policy Paper* it is stated that:

It is essential to promote China EU scientific and technological cooperation on the basis of the principles of mutual benefit and reciprocity, sharing of results and protection of intellectual property rights. Joint development and cooperation on generic technologies and major technical equipment should be stepped up and Chinese institutions are encouraged to participate in the EU Framework Programme for Research and Technological Development... Cooperation

between scientific and technological intermediary agencies of the two sides as well as the interflow and training of scientific and technological human resources should be encouraged. Support should be given to Chinese and EU enterprises in their involvement in scientific and technological cooperation.⁶⁰

Enhancing S&T cooperation and accessing advanced Western technology has always been regarded by Chinese leaders as a highly strategic goal for furthering China's modernization and its emergence as a fully-fledged great power. The European Commission recognized in its fifth policy document on China, that scientific and technological cooperation is one of the 'flagship' areas of EU-China relations.⁶¹ Europe and China launched their first science and technology cooperation programme in 1983. In 1998, an Agreement on Scientific and Technological Cooperation was signed and renewed in 2004 with the aim of linking research organizations, industry, universities, and individual researchers in specific projects supported by the EU budget. A joint EU-China office for the promotion of research cooperation was established in Beijing in June 2001 to help Chinese scientists access the EU's Sixth Framework Programme (FP6 – 2002–6). In 2005, on the occasion of the thirtieth anniversary of the establishment of diplomatic relations between the European Community and China, the two sides held a high-level forum in Beijing after which they signed the Joint Declaration on EU-China Science and Technology Cooperation: building a knowledge-based strategic partnership. The Joint Declaration highlights eight areas as specific themes of common interest: (a) environmental protection; (b) ICTs; (c) food, agriculture, and biotechnologies; (d) transport and aerospace, including Galileo; (e) urbanization; (f) health; (g) socio-economic sciences; and (h) other joint platforms such as GRID (Global Research Information Database). EU-China knowledge-based strategic partnership is intended to provide the overall framework for a wide range of initiatives to establish cooperation on projects of common interest that will bring together companies, universities, and research institutes, as well as promote an increasing mobility of scientists, researchers, and students.

More recently, there have been attempts to link the EU Seventh Framework Programme (FP7) for Research, Technology, and Development (RTD) for the period 2007–13, and the Competitiveness and Innovation Framework Programme (2007–13) with China's Eleventh Five-Year Plan (2006–10). The launch of the China-EU Science & Technology Year (CESTY) in October 2006 provided such an opportunity. China and the EU have also agreed to promote further cooperation in large science initiatives through early consultation (both in basic and applied R&D) and to open their research programmes to accommodate the increasing number of joint research projects. Chinese researchers are invited to participate in the EU-funded FP7 and to submit applications to the recently established European Research Council (ERC).

In turn, China is attracting Europeans into projects under the Chinese National High-tech and Basic Programmes (P863 and P973) and joint calls are planned to combine funding under the FP6/FP7 and P863/P973 programmes, especially in research areas of mutual interest. To increase mobility within the scientific community and among university students, research institutes have been encouraged to provide better conditions for mobility as well as grant joint degrees for students studying on the two continents.⁶² In sum, S&T cooperation has steadily become one of the central features in Sino-European relations.

The establishment of strategic partnership in 2003 would upgrade political relations and further high S&T cooperation between the two sides. Such techno-political linkage would best be epitomized by the political agreement on the joint development of the Galileo satellite system, seen by Chinese leaders as a 'model' for collaboration between the EU and China.⁶³ However, as space is traditionally considered a domain in between low and high politics, as well as fraught with strategic and security-related implications, the Sino-European agreement for the joint development of Galileo would eventually attract the attention of US policy makers concerned about this form of cooperation for US global interests and space primacy.

This page intentionally left blank

Space Cooperation

On 30 October 2003, the same day of the declaration of strategic partnership, the EU and China signed a political agreement on the joint development of Galileo, the EU-led global navigation satellite system alternative to the dominant US Global Positioning System (GPS). The United States and its Asian allies reacted promptly, arguing that with this move the EU would support China in upgrading its space capabilities and power projection in the region precisely at a time when the Pentagon was perceiving Beijing as a potential space competitor.¹ Why did the EU invite China to cooperate in the joint development of Galileo? What would EU and Chinese policy makers like to achieve with this kind of cooperation? And what would be the strategic implications for the United States and its Asian allies?

GALILEO AND CHINA

Galileo is a Global Navigation Satellite System (GNSS) that will offer both civilian and military applications once it becomes operational (which is now expected to be in 2013).² It is deemed to be an alternative to the dominant US GPS, though the EU and the United States reached an agreement on the interoperability of the two systems in June 2004.³ Galileo is designed to encircle the globe with thirty satellites in medium earth orbit, comprising twenty-seven operational satellites and three reserves, plus two control centres on the ground.⁴ According to the European Commission, the estimated cost of the project would amount to €3.4 billion.⁵ It will provide users, ranging from aircraft and shipping to cars and trekkers, with a navigational fix accurate to within just one metre.

The European Union and the European Space Agency (ESA), kicked off the Galileo project in March 2002. On 30 October 2003, an agreement was reached for China's cooperation and commitment to finance €200 million (out of an estimated total cost at that time of €2.2–2.4 billion) of Galileo. Discussions had started back in 2001, while official negotiations with China

commenced on 16 May 2003. Two rounds of talks were held and both sides finalized a draft agreement on 18 September 2003. On 27 October 2003, the Council authorized the Italian Presidency of the EU to sign the Cooperation Agreement on Galileo between the European Community and the PRC. The signature took place, significantly, during the sixth EU–China summit held in Beijing on 30 October 2003. According to the official wording:

The agreement provides for co operative activities on satellite navigation in a wide range of sectors, notably science and technology, industrial manufacturing, service and market development, as well as standardisation, frequency and certification.⁶

Chinese leaders attached a lot of emphasis to this kind of cooperation with the EU. In the *China's EU Policy Paper* of October 2003, the Ministry of Foreign Affairs stated that:

China will, on the premise of equality and mutual benefit and a balance between interests and obligations, participate in the Galileo Programme and enhance cooperation in international 'big science' projects.

In February 2003, a joint Sino–European satellite navigation cooperation centre had been opened in Beijing. The China–Europe Global Navigation Satellite System Technical Training and Co-operation Centre (CENC) was meant to serve as a focal point for all activities on the GNSS as well as promote industrial cooperation, with special attention given to development of applications. The CENC is jointly run by the Chinese Ministry of Science and Technology, the Chinese Remote Sensing Centre, the European Commission, and the European Space Agency. According to the EU–China agreement, the main focus of Chinese participation will be on developing applications, as well as on research and development, manufacturing, and technical aspects of the Galileo project. In the words of François Lamoureux, at the time of the signature of the agreement Director General of the Directorate-General for Energy and Transport (DG TREN – responsible for Galileo):

Never before has the European Union and China embarked on a cooperation project of the same magnitude as in Galileo. This project goes well beyond industrial or standardization issues. It entails a strong strategic component which will have far reaching consequences on future Sino European political relations.⁷

In the same vein, Loyola de Palacio, former European Commissioner for Energy and Transport and Vice-President of the European Commission (1999–2004), stressed that: 'the EU-China agreement will... secure a promising future for Galileo and European business interests'.⁸ European industries

were, indeed, eager to collaborate with Chinese companies in space-based technologies and, more generally, aerospace. Galileo would facilitate European businesses' entry into the promising Chinese aerospace market while allowing Chinese companies to acquire know-how and advanced space technology. For the advocates of closer Sino-European ties, the EU-China agreement on Galileo would give meaning and content to the comprehensive strategic partnership by including a substantial security-strategic dimension.

Galileo can be rightly regarded as Europe's flagship aerospace project and the more prominent attempt by Europe to gain technological as well as strategic autonomy from Washington. By launching the Galileo project, the EU hopes to overcome US monopoly on GNSS by seizing a sizable share of the expanding global satellite market and setting a new world standard for satellite navigation.⁹ The decision to develop the EU-led satellite network with China and promote a closer linkage between European and Chinese aerospace industries was seen in Brussels and in the main European capitals as instrumental for promoting EU space power and diplomacy, as well as for becoming a centre of gravity in international high S&T affairs.¹⁰

The EU estimates that by 2020, Galileo could bring to Europe tens of billions of euros in revenues and tens of thousands of job opportunities. Chinese experts expect revenues worth 260–300 billion yuan (€26–30 billion) in Galileo systems applications. Until the end of 2006, the Galileo satellite system was implemented through the Galileo Joint Undertaking (GJU), which was a joint venture financed from the EU budget (through the European Commission) and the Paris-based ESA. After an overhauling of the project, since 1 January 2007 the European GNSS Supervisory Authority (GSA) has taken over all tasks previously assigned to the GJU. At the industrial level, a consortium of European companies is involved in the development of the satellite network, including: the Franco-German-Spanish EADS (aerospace and defence); Inmarsat Ventures (UK – satellite communications); Thales (France – aerospace and defence); Alcatel Lucent (France – satellite communications); Finmeccanica (Italy – aerospace and defence); AENA (Spain – aerospace); Hispasat (Spain – satellite navigation); and TeleOp (a German consortium led by Deutsche Telekom).¹¹

As the most important non-EU partner for the project, China has agreed to invest €200 million. In the first phase (i.e. the manufacturing and launching of the first four satellites of the constellation) Beijing pledged to spend €70 million, of which €5 million was the entrance fee. The EU-designated Chinese industrial partner for the Galileo project is the National Remote Sensing Centre of China (NRSCC). The NRSCC, a coordination body under the Chinese Ministry of Science and Technology, is mandated to choose domestic research institutes and companies to undertake relevant research

and development. The NRSCC has authorized China Galileo Industries (a Chinese state-holding company) to develop Galileo's satellite and remote sensing technologies and application systems. The Chinese state company is owned by China Aerospace Science and Technology Corporation, China Electronics Technology Group Corporation, China Sat-Com, and the China Academy of Space Technology. The task of China Galileo Industries is to mobilize domestic companies specializing in space, electronics, and satellite technology in order to develop the civilian use of the Galileo satellite navigation system in China.

In October 2004, the Galileo Joint Undertaking and the National Remote Sensing Centre of China signed a Technical Agreement for the first phase of the implementation, including manufacturing and launch, of the first four satellites and a substantial part of the ground infrastructure.¹² The Technical Agreement included details regarding the amount of money that the Chinese government would invest in Galileo (€70 million at that time) with the provision that these sums will remain inside the country and serve to build the Chinese infrastructure, components, and services for the Galileo project. Moreover, the Agreement contained clear indication that the rights of the technology developed while working on Galileo would remain property of the NRSCC.

By July 2008 (when the publication of the ESA's tender package for the second phase of the implementation would leave out Chinese contractors) around €35 million had been contracted to Chinese industries and research institutes for developing various applications of the Galileo system in China. Around twelve projects had been agreed upon between the two sides and implemented, including:

- China Satellite Communication Corporation was subcontracted by the Galileo Fishery Application Project to develop Galileo Fishery Application (FAS), that is, ground-ship communication, fishery E-trading, seagoing fishery monitoring, and fishery safety management of Chinese fishery field using satellite communication and navigation technology;
- The fifty-fourth Research Institute of China Electronic Technology Corporation was subcontracted to develop the China Galileo Test Range (CGTR) which will establish an integrated test, experiment and demonstration environment for Galileo receivers and application systems in China;
- China Galileo Industries was mandated to coordinate the development of the Project of Location Based Services Standardization (LBS) with the objective to open the standards and support multiple satellite positioning systems simultaneously (e.g. GPS, Galileo, GLONASS, etc.);

- The North China Research Institute of Electro-optics is currently the key subcontractor of the Galileo Laser Retro-Reflector (LRR) that aims to support tracking and precise orbit determination of the satellites. The same research institute is also the subcontractor for the Satellite Laser Range (SLR) which will track and measure the satellites with high accuracy from ground stations;
- Xian Institute of Space Radio Technology has been mandated to design and manufacture the Search and Rescue Transponder (SART) which will support Galileo's search and rescue system and real-time, precise, and return-link feasible services;
- China Aerospace Science & Technology Corp. is the contractor and subcontractor for the Early Galileo Service in China (EGSIC), which is meant to define, develop, deploy, and operate a system for delivering Galileo services in China;
- The Chinese Academy of Space Technology is the subcontractor for the Forward Link Service End-End Validation (EEV) which will consolidate SAR/Galileo system functional and performance requirements. The same institute is also the subcontractor for the Medium-altitude Earth Orbit Local User Terminal (MEOLUT) which will be in-charge of recovering the message and locating the beacon satellites. MEOLUT is the only Galileo station in Asia which will cover and provide service for the north-west Pacific and Asia.¹³

The number of projects and the amount of money invested so far (by July 2008), would make China the most important non-EU partner in Galileo. However, Chinese officials at the MOST and CENC are adamant in recognizing that without the active involvement of European partners and European expertise/know-how and technology travelling to China, the local subcontractors (companies and research centres) would have been unable to complete the above projects.¹⁴ Among the EU member states, French, German, and Italian aerospace companies would be at the forefront of collaboration with Beijing. While cooperation with Europe's aerospace sector provides China with access to advanced technology and know-how, it also allows EU firms a better entry into the promising Chinese market for aerospace products. Since the late 1990s, European companies have sold telecommunication satellites and other space technologies to Beijing. Furthermore, some European commercial remote sensing companies (like their American counterparts) have been selling spatial imagery to China. According to analysts and official documents, some low-resolution microsatellites have been sold by France to China.¹⁵

Besides commercial consideration, Sino-European cooperation in space and satellite navigation would entail security and strategic elements, in

particular with regard to the access to the encrypted signals. Most of the countries that have showed an interest in cooperating with the EU in the development of Galileo, including India, Brazil, Israel, and South Korea, will not be allowed to pull down encrypted signals from the satellites that form the central element of the system. These countries will only be allowed to access unencrypted signals that would be satisfactory for civilian applications. China also will not have access to the encrypted signals. Officials in the European Commission have repeatedly stressed that a 'security firewall' will be put in place to assure that China (and other non-EU countries) will not have access to secret European traffic.¹⁶ The signal, known as the Public Regulated Service (or PRS) would in fact be withheld from China and any other non-EU participants in the system. The PRS is an encrypted signal, meant to guarantee continuous signal access in the event of threats or crisis. Unlike other Galileo signals, the PRS will be accessible even when the other services are not available, making it suitable for security- and military-related uses.¹⁷ Since the signature of the agreement, the Europeans would guarantee the American ally that all the necessary security barriers would be in place, and that Sino-European satellite navigation cooperation would not endanger NATO assets or US strategic interests in East Asia.¹⁸ Yet, these efforts could not conceal the existence of profound differences between the transatlantic allies.

TRANSATLANTIC DIVERGENCE

The decision to allow China to play a prominent role in the development of the Galileo system highlights divergent approaches between the EU and the United States towards China's rise and the use of space. Firstly, Europe does not view China as a potential military threat or as a strategic peer competitor. In this sense, Sino-European space cooperation is but the continuation in the security and strategic fields of the EU's policy of constructive engagement that has characterized EU-China relations since the mid-1990s. Secondly, China's participation in the Galileo project reflects the different conception between the EU and the United States regarding the use of space. In essence, Washington places an emphasis on space power and control, while Europe stresses that the space should be used peacefully.¹⁹ While the United States concentrates on leveraging the space to provide America and its allies an asymmetric military advantage, the EU is more concerned in creating useful (i.e. commercial) space applications for European peoples and industries. For EU policy makers, Sino-European space cooperation is meant to boost commercial

activities while the United States looks at space from a different angle, that is, the protection of its global interests and primacy in world affairs.

The administration of George W. Bush (2001–8) would curtail cooperation in space activities with Beijing that his predecessor had initiated. Under the Clinton administration (1993–2000), the United States attempted to cooperate with China, for instance, on space transportation. This was meant to cut off China's exportation of missile technology to countries such as Iran and North Korea, very much like what had been done in the 1990s with Russia. The problem of illegal missile technology transfers between some US companies and China emerged in 1998, following the failed launch of an Intelsat satellite on a Chinese Long March booster, effectively ending this policy. The resulting classification of space technology on the US Department of State munitions list ended any cooperation in space with Beijing. As a result of the tightening rules in the United States transatlantic cooperation in space technologies decreased as well.²⁰ Very little cooperation regarding space-based security applications goes on between Europe and the United States, despite their military alliance. Currently, the EU has relations only with agencies such as NASA and the National Oceanic and Atmospheric Administration (NOAA) that focus on the peaceful use of space. The United States appears to believe that space technology should not be disseminated. The Europeans, on the other hand, seem to view space-related activities (technology included) as a medium for international cooperation.

It is important to note that for EU policy makers, Sino–European cooperation in Galileo and other space applications is not meant to isolate the United States. Nor is it meant to increase the proliferation of space technologies that would be used for anything other than peaceful aims. For the EU, Galileo is meant to build trust with China.²¹ As already argued, it is the continuation of the policy of constructive engagement based on the idea of change through trade. A definitively liberal internationalist view of inter-state relations. It would also be widely perceived by EU policy makers in the Directorate-General for Energy and Transport (DG TREN) in Brussels²² and in the national capitals of some of the most important European space powers (Paris, Berlin, and Rome) that Sino–European space cooperation is a reaction of the isolationist space policies of the United States in the last decade. The United States has committed itself to the control and militarization of space and has adopted draconian export regulations that have adversely impacted on international space cooperation. As a consequence, other space-faring nations such as the EU and China have been forced to cooperate among themselves. Today some (quite little) cooperation is underway in satellite navigation between the transatlantic allies following the EU–US summit in Ireland in June 2004 on the interoperability of the two

systems (Galileo and GPS). Nonetheless, Sino–European space cooperation continues to be regarded by some EU policy makers as a reaction to US uses of its space primacy. Since the beginning, EU–China cooperation in the Galileo project would thus not be aimed (at least in the eyes of the Europeans) at the space capabilities of the United States per se, but rather at its uses. As argued earlier, it must be seen as a soft balancing initiative contributing to shedding EU dependency from Washington.

GAINING SPACE AUTONOMY

Behind the development of the Galileo satellite system, there are well-planned European efforts to create an independent European aerospace sector. In this sense, Galileo – along with Airbus and the Arianespace project – can be seen as a prominent example of EU efforts to challenge US technological and economic supremacy in the post-Cold War era. The push towards the development of a strong and autonomous European aerospace sector derives from a desire of ensuring the EU's strategic independence coupled with fears of reduced influence in international affairs and declining international economic competitiveness. As discussed in earlier chapters, in the aftermath of the end of the Cold War economic consideration would become prominent. The post-Second World War period, coinciding with the Cold War era, was preoccupied with the political–ideological struggle which somewhat overshadowed economic concerns. Even if economic matters were addressed, these were always subordinate to the wider ideological conflict. The post-Cold War period, however, would witness a swing in the pendulum, leading directly to all kinds of economic conflicts. In this context, a new European discourse on economic security emerged, based on the perception of the EU's declining international economic competitiveness and reduced influence in international affairs. This provided – along with the determination by some powerful EU member states to promote EU security autonomy within the Western camp – the basis for the development of an independent aerospace sector.

Since the early 1990s, an independent aerospace capability had been perceived as having a key role for European industrial and technological development and it began to be closely associated with the concepts of European security and political autonomy. In 1996 the European Commission adopted its first policy document on space. In *The European Union and Space: fostering applications, markets and industrial competitiveness*, the Commission pointed out that if the EU did not want to be left behind in the very promising markets arising from the new space applications (satellite telecommunications, satellite

navigation, and earth observation) the EU had to immediately come up with a suitable strategy.²³ At the same time, some officials at the Paris-based ESA published an article in which they stated that the time had come for Europe to take 'the initiative to balance the US ambitions to promote worldwide acceptance of GPS for civil applications', since this will give Europe 'independence from foreign national/military satellite systems and control over its own element within a global civil navigation satellite system'.²⁴

In 1998 the Commission released its policy paper *Towards a Trans-European Positioning and Navigation Network together with a European Strategy for a Global Navigation Satellite System* (GNSS). In the document, the Commission stated that the GNSS represents a strategic challenge impacting on Europe's position in the world and that foreign control over Europe's navigation system would raise serious problems for both sovereignty and security. The document also underlined the potential dual civil/military use of the GNSS.²⁵ In 1999 the Commission gave the name 'Galileo' to the European space programme.²⁶ International developments at the end of the 1990s were instrumental in convincing EU policy makers to push forward the creation of an independent space and satellite positioning programme. The Kosovo air campaign by NATO in March–June 1999 demonstrated to EU policy makers that an improved air and space combat technological capability was a prerequisite for greater independence in security policy. It was also felt, in particular in France and Germany, that the lack of adequate European space capabilities and satellite navigation systems was greatly limiting the EU's posture abroad by maintaining a high degree of strategic dependence from American technology.²⁷ This idea was further propounded by the European Advisory Group on Aerospace in its report *Strategic Aerospace Review for the 21st Century* (STAR 21). The European Advisory Group on Aerospace was set up in 2001. Chaired by Erkki Liikanen (at that time member of the European Commission responsible for Enterprise Policy), it comprised seven aerospace industry chairmen (among them, the chairmen of EADS, Snecma, BAE Systems, Thales, Finmeccanica, Rolls-Royce), five European Commissioners (Trade, External Relations, Enterprise, Transport and Energy, Research), the EU High Representative for the Common Foreign and Security Policy (Javier Solana), and two members of the European Parliament. The report was presented to Romano Prodi, at that time President of the European Commission (1999–2004), on 16 July 2002.²⁸ The aim of this high-level group was to 'identify the key area which will determine the future competitiveness of the aerospace industry and its ability to contribute effectively to Europe's main policy goals'.²⁹ In the report, the European Advisory Group on Aerospace argued that:

A flourishing and competitive aerospace industry is essential to ensuring a secure and prosperous Europe. Apart from its contribution to sustainable

growth, the aerospace industry is a home to key skills and technologies and an important driver of innovation; it guarantees the means for delivering services from space, and makes an essential contribution to security and defence, thereby helping to safeguard Europe's freedom of action in its external policies.³⁰

The *STAR 21* report made the linkage between the protection of the EU's global competitiveness and overall economic security (endorsed by the European Council of Lisbon in 2000) with the development of the Common Foreign and Security Policy (CFSP). According to the document, 'a strong, globally competitive industrial base is essential to provide the necessary choices and options for Europe in its decisions as regards its presence and influence on the world stage'.³¹ With regard to space capabilities, the *STAR 21* report called for the deployment on schedule of Galileo and argued for the need to take early action to 'sustain European launch capabilities and to explore applications of space technologies especially for communication and monitoring, including those required for security and defence'.³² In essence, for the European Advisory Group on Aerospace, a flourishing aerospace industry would be a key component in enabling Europe to realize its political and economic ambitions, in particular for maintaining the EU's competitive position in world markets for a wide range of civil and defence products, and for safeguarding the EU's freedom of action in its foreign and security policy.

The *STAR 21* report also underlined the importance of international cooperation and the fact that the demand for civil aircraft and other aerospace products over the next twenty years would be projected to arise outside the United States or Europe's market and come mainly from Asia and, in particular, China. In this context, building strategic partnership with Beijing was perceived as being important for acquiring shares of this market and, as such, for maintaining Europe's global competitiveness. At that time, analysts would estimate that Beijing had become the second largest market for aerospace products, after the United States. China had already turned, for instance, into the most important battleground between the Boeing and Airbus.³³ In November 2005, during the state visit of Wen Jiabao to France, the Chinese Prime Minister started its four-days tour in Toulouse, at the headquarters of Airbus. On that occasion, the Chinese Premier committed his government to buy 150 aircraft of the type Airbus A320 (worth \$ 9.3 billion), the biggest ever order for the Airbus conglomerate. Thanks to that order, Airbus regained a large share of China's market, and by the end of 2005 the European constructor had surpassed Boeing in terms of 'contracted orders' from China: 804 for Airbus, against 801 for Boeing.³⁴ In the same vein, the visit of Hu Jintao, the Chinese President, to the United States in April 2006 started in Seattle at the headquarters of Boeing, demonstrating the extent to which China had

become the most contentious battlefield between the two constructors. In this context of global competition, a linkage between the EU's and China's aerospace sectors through Galileo would have, therefore, both industrial and strategic significance. Airbus sales to China and the EU's invitation to Beijing to participate in the Galileo project can thus be seen as part of increasing EU efforts to acquire growing shares of the global aerospace sector in order to counter a perceived American dominance of the market and, at the same time, increase both technological and political autonomy from Washington.

EUROPE'S SPACE PROGRAMME

Three European organizations have been cooperating closely to develop Galileo: the European Space Agency, Eurocontrol (the organization responsible for coordinating air traffic control), and the Directorate General for Transport and Energy of the European Commission (DG TREN). EU member states participate in Galileo to varying degrees. France and Germany, in particular, have taken the lead in the development of the satellite system and, more generally, of Europe's aerospace sector both in terms of financial commitment and political support.³⁵ Across Europe, the civilian space sector is much more developed than the military. France accounts for approximately 40 per cent of Europe's overall spending in the space sector (military and civilian). Germany, Italy, Spain, and Belgium have some significant military space programmes. The United Kingdom abandoned the development of its own space defence programme decades ago, and now has access to military space information through the NATO infrastructure (communications) or via bilateral agreements with the United States (intelligence). The other EU countries have only civilian space programmes.³⁶

France is the main space power in Europe. Among the French political and industrial elite the conviction exists that only a united European policy can challenge the supremacy of the United States in the aerospace sector, both in terms of the (ever-increasing) budgets required and in terms of industry and user community base. Enlarging the national space effort to the entire European Union is clearly viewed in Paris as a prerequisite for starting any new major space programme like Galileo. Historically, France has played a key role in promoting the idea of an autonomous European launcher (the Arianespace project) and in translating it into facts. Moreover, French determination in pushing the *space dossier* has been instrumental for the promotion and development of Galileo and other European space undertakings, such as the Global Meteorological Environmental System (GMES).³⁷ These pan-European

aerospace programmes have become a national objective for France. The development of a strong and independent European aerospace sector can thus be viewed as part of France's efforts at challenging the existing configuration of power in the international system. According to Xavier Pasco, the challenge for France remains to balance the objective of autonomy so that it remains sufficiently ambitious to foster interest at the national (French) level without it having to become a specifically national type of program unable to keep its European identity.³⁸ This balance constitutes a prerequisite nowadays for any successful national and European space endeavour. For France any new programme must thus be balanced between national and European motivations; that is, encompassing traditional, national, as well as global purposes. The Galileo undertaking therefore owes much to the fact that France, as the main space power in Europe, has continued to preserve its national ability to act independently in space and is nowadays involved in translating this commitment at the European level.

Strategically, Galileo offers another example of French efforts to promote European autonomy within NATO. France cannot afford to build an alternative network of satellites to the dominant American GPS for its national needs. Moreover, most of France's EU partners do not share French reservations about relying on the American GPS. To counter opposition to Galileo by the more Atlanticist EU member states, the Galileo project has been presented to the public as an exclusive civilian project. However, satellite navigation system and positioning technology has military applications since it is, inherently, a dual-use system. Some of the services (for instance, the Positioning, Navigation, and Timing – PNT) will offer military planners and commanders a wide range of applications to manage assets, troops, and munitions more effectively. There seems to have been a conscious and deliberate effort by EU institutions to promote and legitimize the development of an autonomous global navigation satellite system as a purely civilian project. The European Commission has repeatedly emphasized the civilian applications of Galileo and the absence of any military application.³⁹ The European Council stressed, on various occasions, that Galileo is a civil programme, under civil control. The European Parliament released a report on Galileo in January 2004, stating that unlike the American GPS and the Russian GLONASS, it is a project, 'which is and must continue to be used solely for civilian purposes.'⁴⁰ The role of the European defence ministries and military agencies has remained largely hidden from the public debate. However, it appears that military considerations have played a role in advancing the project since the beginning. The French government, in particular, has consistently promoted Galileo's military security role and as such, Paris would be engaged in examining the potential implications of GNSS for NATO and, more generally, for the transatlantic alliance ever since the

onset of the project.⁴¹ Senior French officials declared in March 2004 that Galileo could have military applications as early as 2010–12, raising protests in the Nordic and more neutral EU members.⁴² In 2005, a high-ranking French official clearly laid out France's view of Galileo:

Galileo will constitute the only credible alternative to the instauration of a de facto monopoly of GPS global positioning and of the American industry in this domain... With the PRS signal in particular, Galileo will provide an essential tool for defence and security activities and for crisis management... without mentioning the numerous military applications that the Ministry of Defence, which currently uses the GPS, is pondering.⁴³

Furthermore, a publication for a wide readership: *Petit Guide de la Politique Européenne de Sécurité et de Défense* (PESD), published by the Permanent Representation of France to the EU in October 2005, contradicts EU institutions on Galileo as it states that 'Galileo, the navigation satellite system, will have military and security implications that will have to be taken into consideration in the framework of the CFSP'.⁴⁴

Galileo's political and strategic goal is supported more firmly by the large EU members of continental Europe (i.e. 'old Europe' in Rumsfeld's jargon): France, Germany, Italy, and Spain. French policy makers tend to view Galileo as a grand commercial project with security and strategic implications. Germany, Italy, and Spain share, to a certain extent, French views of Galileo as a grand project, something of a public-oriented initiative similar to Airbus with a clear political and strategic goal rather than an exclusively commercial enterprise. Germany plays an important role in terms of research and financing through German DaimlerChrysler Aerospace and Germany's Aerospace Research Center and Space Agency. Italian and Spanish aerospace industries have large stakes in the construction and delivery of the satellite network. Italy through Finmeccanica (Alenia Aerospazio) and Spain through Construcciones Aeronauticas (CASA). The governments of Paris, Berlin, and Madrid (plus Rome via a partnership with EADS through Finmeccanica) are also the main shareholders of the European Aeronautic Defence and Space Company (EADS) and usually referred to as the 'EADS countries'.⁴⁵ Especially during the period of Gerhard Schroeder and Jacques Chirac in power, the above EU members have strongly supported China's participation in the Galileo project and advocated a firm policy of engagement with China. As discussed earlier, the large EU member states of continental Europe would also bear the main responsibility for watering down the more principled positions on human rights and for lending their support to the proposal to lift the EU arms embargo on China.

The large continental EU members (which are also the main European space powers) are thus in the driving seat of Galileo and in supporting space

cooperation with Beijing. The other EU member states would tend to view Galileo through slightly different lenses. Austria, Belgium, and the Netherlands, for instance, have preferred to underline the exclusive commercial side of the Galileo project. The Nordic countries (Finland, Sweden, and Denmark) and the new accession countries of Central and Eastern Europe have laid out their interest in the development of Galileo but have expressed opposition to the inclusion of military uses.⁴⁶ It has to be noted that some of the smaller EU members have joined Galileo not for strategic reasons, but for budgetary or bureaucratic circumstances and in a few cases, for diverting money initially allocated for ESA's slow-moving International Space Station.⁴⁷ The United Kingdom has found itself in a somewhat delicate situation as it sought to compromise its industrial and commercial stakes in the development of Galileo with the strong American opposition (at least initially) to the project. The United Kingdom plays an important role in the construction and overall development of Galileo through British Aerospace (BAE Systems) and Inmarsat Ventures (satellite communications provider). At the same time, Washington has sought London's support for limiting the scope of Galileo and for containing its more strategic elements.

Notwithstanding the different interpretations provided by EU members as to the scope and nature of Galileo, the latter remains Europe's major aerospace project aimed at challenging US dominance in satellite navigation and as such, it represents – consciously or not – an initiative that aims to counter US primacy in the aerospace sector and foster the creation of a multipolar satellite navigation order. In such a context, since the onset Sino–European space cooperation has become an issue in transatlantic relations. The Bush administration reacted strongly against Chinese inclusion in the European satellite system. Washington would increasingly view Beijing as a space competitor and as such, it would be concerned that through Galileo and related space-based technology cooperation, the EU might contribute to boost China's space assets and capabilities. This is not without fundament. Chinese policy makers would consider cooperation with the EU in the joint development of Galileo as an additional initiative aimed at promoting China's space programme.⁴⁸ Chinese officials would recognize that cooperation in the Galileo project furthers Beijing's space and satellite recognition capabilities which can be exploited for both commercial and military uses.

CHINA'S SPACE PROGRAMME

China is widely acknowledged as one of the most prominent space-faring nations. It is the third country after the Soviet Union/Russia and the United

States to have sent a man into space. China's manned space flight in September 2008 involved the country's first ever space walk, a technological breakthrough that only the United States and the Soviet Union/Russia had achieved before. In October 2007, Beijing had launched its first lunar orbiter as a further sign of the advances reached by the Chinese space programme. Prestige is an important driver for China's space development. This is most evident in the Chinese-manned space mission, which has become a major political symbol of Chinese nationalism. However, while symbolically important, manned flights and the lunar programme are not as valuable to China as its ability to hoist satellites into orbit. With thousand of isolated rural communities characterized by low population densities and limited telecommunication infrastructure, China is poised to greatly benefit from an increased use of advanced satellite technologies. Chinese leaders point out that the various applications of remote-sensing satellites, which have been very helpful in urban development and agriculture in many countries world-wide, would be an invaluable asset to help the PRC (People's Republic of China) connect its scattered population, as well as boost economic growth. In this sense, Chinese policy makers and scholars view cooperation with the EU in Galileo as a valuable initiative aimed at promoting both China's space programme and, more generally, the country's economic development.

The development of an autonomous space sector is seen by Chinese leaders as a core initiative aimed at advancing comprehensive national power.⁴⁹ Chinese space technology has improved dramatically in the last years. Compared to the United States, however, it is not state-of-the-art, though China has succeeded in developing a space programme that encompasses the full range of capabilities from satellite design to launch services. Traditionally, Beijing has tended to build satellites on its own, but current commercial and scientific collaborations with the EU and other countries such as Russia, Brazil, India, and Malaysia are aimed at joint development. Beijing has also initiated some cooperation with South Korea, while there is no collaboration underway between China and the United States and/or Japan in space technology. In the last few years, China has also succeeded in developing a commercial satellite launch industry. In May 2007, Beijing launched a Chinese-manufactured communications satellite into orbit on behalf of Nigeria. It was the first time for China to build a commercial satellite and put it into orbit on contract for another country.⁵⁰ In 2008 Beijing did the same for other countries such as Brazil and Venezuela. China is gradually becoming a low-cost producer and launcher of satellites, challenging in this way the traditional hegemonic position held by Western and Russian aerospace companies.

China's space programme was founded as part of Beijing's Cold War strategic defence policy. Until 1985, when China initiated commercial launches, Chinese

space activities were closed to the outside, and foreign countries for the most part refrained from working with China on space activities. As discussed earlier, during the Cold War the Western European allies of the United States cooperated in the efforts of the Coordinating Committee for the control of strategic exports to communist countries (COCOM), based in Paris to embargo high technology sales and transfers to the PRC. This has changed dramatically in the post-Cold War period. Thanks to international cooperation and joint collaboration in high S&T projects (in particular with the EU and its member states), Beijing has been able to access advanced Western space technology. Since the mid-1990s, European aerospace companies have been particularly eager to work with China, hoping to reap the benefits from its fast growing market for aerospace products. Cooperation with the EU and its member states (in particular the main European space powers: France, Germany, Italy, and Spain) has allowed China to pursue joint ventures like Galileo, in the near term, with the aim to further develop indigenous capabilities in the longer term.⁵¹

China's space programme is notable for the exchange of personnel and technology between the civilian and military sectors. The technology developed is dual-use and folds into the overarching goal of economic development.⁵² The PLA's involvement in the space industry has further encouraged support for dual-use space programmes. The Chinese word for space (*hang-tian*) refers to both space systems and ballistic, cruise, and surface-to-air missiles. The development of the ballistic surface-to-surface missiles has provided the basis for the development of space launch vehicles. Since the first Gulf War, Chinese leaders have emphasized the link between the space and information fields, as well as the need for China to modernize its air and space forces to counter the technologically-advanced US military. In the *White Paper on China's Space Activities* released in November 2000, Beijing laid down its intent to industrialize and commercialize space to advance comprehensive national power in the areas of economics, state security, and technology.⁵³ Developing space assets has thus become (like in the United States, Russia, and more recently also in Japan, India, and in the EU) a key element for assuring the country's national security.

The dual-use nature of most space technologies means that civil space activities can have direct military analogues. A communication satellite, for instance, can be used for both military and commercial purposes. Similarly, given sufficient capabilities, a satellite navigation system has direct military applications since its images identify objects and activities on the earth's surface similar to a military reconnaissance satellite. The basic technologies required for commercial rockets and military missiles also share commonalities. The dual-use nature of space technology is a very sensitive issue where

technical ambiguity can be deliberately exploited for circumnavigating existing export limitations to certain countries. Technically, it is difficult to determine where the line should be drawn regarding potentially relevant military technology. Generally speaking, if a country has a technical space capability, then it will inherently have a potential military space capability. In the case of China, it is fairly evident that much of the technology deemed essential for indigenous military aerospace capabilities includes technology also deemed essential for national economic development, and vice-versa. It is therefore possible to envisage that China's cooperation in the joint development of the European (civilian) satellite navigation system and other space-based technologies would allow Beijing to enhance its civilian space capabilities and, by default, also its military space assets. In this sense, the decision of the EU and its member states to invite China to cooperate in the joint development of Galileo would raise concerns in Washington.

SPACE COMPETITORS?

China's space programme is considered by the Pentagon and the US intelligence community as one of the most ominous long-term strategic challenges to US primacy.⁵⁴ The US military makes extensive use of space for intelligence, communications, and precision targeting. Chinese analysts have noted that the American army employed more than fifty military-specific satellites, plus numerous commercial satellites in the 2003 Iraq war. They also highlight the extensive US reliance on GPS to support precision-guided munitions. The space dependence of the United States is deepening as transformation and network-centric warfare increase the importance of rapid collection and dissemination of information down to tactical units and individual soldiers. Satellites also play a crucial role in US missile defences. As US dependence on space grows, concerns have been raised about the potential for adversaries to attack US space assets. According to the 2001 Department of Defense (DOD) doctrine:

The United States must be able to protect its space assets . . . and deny the use of space assets by its adversaries. Commanders must anticipate hostile actions that attempt to deny friendly forces access to or use of space capabilities.⁵⁵

The report by the Rumsfeld Commission warned of a potential 'space Pearl Harbor' if adversaries attack US satellites. In the annual report on the *Military Power of the People's Republic of China* (MPPRC) released on 28 July 2003 (a few months before the signature of the Sino-European agreement

over Galileo), there was explicit reference to China's 'technology and design development of electronic warfare mainly through cooperation with Western countries' and of China 'procuring state-of-the-art technology...which could be used against GPS receivers'.⁵⁶ Underpinning these concerns there was the possible scenario of targeting US space assets in a future conflict over Taiwan. Chinese strategists would indeed tend to view US dependence on space as an asymmetric vulnerability that could be exploited. They argue that for a country that can never win a war with the United States by using the method of tanks and planes, attacking the US space system may be an irresistible and most tempting choice. Chinese strategists have explored ways of limiting Washington's use of space, including anti-satellite (ASAT) weapons, jamming, employing lasers to blind reconnaissance satellites, and even using electromagnetic pulses produced by a nuclear weapon to destroy satellites.⁵⁷ The vulnerability of commercial and military satellites of the United States and its allies in medium-to-low orbit is now on display after China destroyed an old Chinese weather satellite in January 2007 using an anti-satellite weapon. General Michael Moseley, US Air Force (USAF) Chief of Staff, declared on 24 April 2007 that the Chinese ASAT test was a 'strategically dislocating' event as significant as the Russian launch of Sputnik in 1957.⁵⁸ Such a statement must be read in two ways: on the one hand, it is an attempt by the US military to use the China threat discourse for seeking additional funds from the US Congress. On the other hand, it signals genuine concerns about the pace of China's technological development and military modernization and its implications for US primacy.

US scholars have pointed out that without access to Western sources of supply 'the pace and scope of PLA modernization would be negatively affected'.⁵⁹ With regard to satellite navigation, what worries the United States more is that in case of conflict over Taiwan, it will be able to shut down the GPS features currently utilized by Beijing, while Galileo would continue, in principle, to operate. The potential for Washington to restrict access to commercial satellite imagery or satellite navigation systems during a crisis is an important rationale for China to cooperate in Galileo, as well as to develop its independent capabilities. American critiques of Galileo say that the skills China might gain from cooperating with Europe (and other countries) in space technologies could allow the PLA to close an information gap that now gives the United States the advantage in the precise targeting of missiles and smart weapons.⁶⁰ It could also allow the PLA to improve their command and control of forces in the field. China's potential acquisition of some of the Galileo system's applications is seen by some US policy makers as a major setback to US efforts to limit China's access to advanced military space technology. The more critical voices even assume that by cooperating with

China in the Galileo project the EU is, in effect, assisting China's space (and military) modernization despite the arms embargo.⁶¹ In the *2004 Defense White Paper*, Chinese military planners made it clear that the use of advanced information technology would be a top priority in efforts to make the army a modern force.⁶² Space-guided missiles would indeed be expected to spear-head the Chinese military strategy for gaining the upper hand over Taiwan.⁶³ American analysts would argue that access to secure navigation satellite signals is absolutely essential for the PLA realizing its aim, and that in this sense the EU is playing a critical role in helping the PLA fight its future wars.⁶⁴

US criticism must be placed in the context of Washington's uneasiness with the EU-led Galileo system and other attempts by space-faring nations to challenge US primacy in space. Such primacy is most evident in the widespread use of the GPS which is also used by China. According to Joan Johnson-Freese, currently Chair of the Department of National Security Studies at the US Naval War College, there are indications that the GPS is being incorporated into all of China's new fighters. It is also believed that the GPS is being integrated with commercially available satellite imagery to develop digital terrain maps for targeting, missile guidance, and planning. The American scholar also points out that China seems to have prioritized the development of missile early warning systems, navigational satellites, and space surveillance.⁶⁵

What worries the US policy makers more is that international cooperation projects such as Galileo, including access to advanced Western space technology, can put the PLA in a better position to acquire the most advanced early-warning systems and recognition satellites that might eventually help China in countering Taiwanese arms systems imported from the United States, as well as target the United States' own space assets in the area. This reading, mainly put forward by the US Department of Defense and the more conservative American think tanks, is largely based on the view of China as a possible military competitor. It also implies a rather zero-sum game perspective where gains for China would be losses for the United States. With such concerns in mind, the Bush administration would pressurize the EU governments right after the signature of the EU-China agreement on Galileo.⁶⁶

TRANSATLANTIC COMPROMISE

The United States had already made initial attempts to undercut the Galileo programme back in 2001 by first putting pressure on several European countries and then by removing the deliberately introduced random errors

in the civilian signal known as selective availability.⁶⁷ But after the Galileo project go-ahead by the Council of the EU and the signature of the Sino-European agreement, the US administration switched priority to the interoperability between the American and the European satellite networks. A crucial question would soon be the different nature of the two systems. Galileo is a civilian project driven by commercial considerations. It will offer users a continued service, without the risks inherent in the American GPS of being shut down for national security reasons. The GPS is in fact a Pentagon-led project, which can be shut off in case of danger for the United States. Since Galileo is marketed as a system which will not stop operating (as it is not intended, primarily, for military uses) the United States was preoccupied about the potential misuses of the system by hostile parties. In particular, Washington was concerned that a hostile country – for example, China in case of conflict with the United States over Taiwan – could be able to use the encrypted features of the European satellite network or some other signals without the United States being able to interfere with it. To ease American concerns, EU officials would repeatedly state that the Public Regulated Service (the signal suitable for security- and military-related uses) would be withheld from Beijing and any other third country. Chinese leaders stated, in their turn, that the Galileo satellite network will provide data mainly for civilian uses in accordance with the joint EU-China agreement signed in October 2003.⁶⁸ All these issues, including points of divergence between the United States and the EU would be discussed by the transatlantic allies from Autumn 2003 to Spring 2004.

At the EU-US summit in Ireland on 26 June 2004, the two sides reached an agreement over the inter-operability between the European GNESS (Galileo) and the American GPS, as well as the use of Galileo by third countries. In the final document signed at the end of the summit, the United States and the EU agreed on the 'promotion, provision and use of the two satellite-based navigation systems and related applications'. Signed by Loyola de Palacio, the European Commission Vice-President, and Colin Powell, US Secretary of State, the agreement was intended to allow each system to work alongside the other without interfering with its counterpart's signals in order to protect and boost users worldwide. The Bush administration succeeded in obtaining the guarantee that Galileo's services would not degrade the navigation warfare capabilities of US and NATO military forces.

National security compatibility criteria were added to the EU-US agreement of June 2004. In Article 11 it was stated that:

The Parties intend to prevent hostile use of satellite based navigation and timing services while simultaneously preserving services outside areas of

hostilities. To this end, their respective satellite based navigation and timing signals shall comply with the National Security Compliance for GPS and GALILEO Signals in the 1559 1610 Mhz Band, Part 1, Part 2, Part 3.⁶⁹

In the annex of the Agreement, it was stated that:

access to Part 1, Part 2, Part 3 shall be only by the United States and those Member States that are a party to a General Security of Military Information Agreement (hereinafter 'GSOMIA') or a General Security of Information Agreement (hereinafter 'GSOIA') with the United States, which shall apply to the access, maintenance, use and release of these classified documents.⁷⁰

General Security of Military Information Agreement (GSOMIA) negotiations are undertaken by the US government with those countries with whom Washington exchanges classified military information on a continuing basis, and then only when their capability and intent to protect classified military information has been firmly established by the completion of a favourable on-site security survey. The eligibility levels for the negotiation of a GSOMIA are established by the National Disclosure Policy Committee (NDPC), which is designated by the Secretaries of State and Defence. The *National Policy and Procedures for the Disclosure of Classified Military Information to Foreign Governments and International Organizations* (short title: *National Disclosure Policy* or *NDP-1*), is a highly classified document. As such, Article 13 of the EU-US Agreement establishes a 'working group on security issues relating to GPS and Galileo'.⁷¹

The transatlantic compromise over the two satellite navigation systems would not put on end, however, to US and EU different views on how to deal with a rising China.

When the EU-China agreement on the joint development of Galileo was signed in October 2003, it was the high point in relations between the two sides (the so called 'honeymoon'). In the same period, another initiative would attract the attention, and the concern, of the United States and its Asian allies: the proposal to lift the EU arms embargo on China. Sino-European space and satellite navigation cooperation and the proposal to lift, though different in nature and scope, were nonetheless inter-connected. Since high-precision satellite guidance equipment would be considered dual-use, it was subject to special licenses before export to China was permitted. Because of the dual-nature and the different interpretations given by EU member states to space technology, the existence of an arms embargo had become a serious hindrance for the further development of EU-China space cooperation. In order to circumvent these legal obstacles and send a powerful political message to Beijing, the same EU governments that had supported more strongly China's participation in the Galileo project (i.e. France and

Germany) would officially propose to initiate discussions on the lifting of the EU arms embargo imposed on China in June 1989, after the PLA's crackdown on students in Tiananmen Square. The proposal to lift and Sino-European space cooperation can be seen as two sides of the same coin: the upgrading of relations between the EU and China through a techno-political linkage. While a compromise would be eventually found between the transatlantic allies over satellite navigation, the proposal to lift the EU arms embargo on China would become an issue of strategic significance and be strongly opposed by the United States and its Asian allies, straining relations further across the Atlantic.

The Chinese Arms Embargo Affair

In Autumn 2003, while EU and Chinese policy makers were busy establishing a strategic partnership and finalizing details for China's participation in the development of the Galileo satellite system, French and German political leaderships aired promises to their Chinese counterparts to start discussion on lifting the arms ban. The EU embargo on arms sales dated back to June 1989, when the member states of the European Community (EC) had imposed it on the People's Republic of China in response to the People's Liberation Army's (PLA) crackdown on students in Tiananmen Square.¹ Along with the EC, the United States, other Western countries, and Japan also condemned the massacre and imposed similar restrictions. Fourteen years later, in a different geopolitical environment, France and Germany officially proposed to initiate discussion on lifting the ban. The timing was propitious for such a move. On 30 October 2003, the EU and China had established a comprehensive strategic partnership, and signed an agreement on space and satellite navigation cooperation. In September 2003, the European Commission had released its fourth policy paper on China, calling for enhanced cooperation on political and security-related matters. The Chinese Ministry of Foreign Affairs responded a few weeks later by releasing its first ever policy paper on the EU. In the document, there was the clear request of improved links in military matters and of an early lifting of the arms embargo:

China and the EU will maintain high level military to military exchanges, develop and improve, step by step, a strategic security consultation mechanism, exchange more missions of military experts, and expand exchanges in respect of military officers' training and defense studies... The EU should lift its ban on arms sales to China at an early date so as to remove barriers to greater bilateral cooperation on defense industry and technologies.²

For Chinese policy makers the lifting would be a political act necessary for moving beyond Cold War thinking. It would also give meaning and content to the newly established strategic partnership, as well as lay the ground for closer Sino-European cooperation and exchanges on security and military matters.³ Consultations, military exchanges, and joint manoeuvres with the PLA had already been undertaken by some EU member states. For instance,

Germany had held several rounds of high-level consultations on security and defence matters with China, underpinned by visits of high-ranking military and civilian representatives. Germany was also training PLA officers. France and China had established a strategic dialogue and held annual consultations on defence and security issues since 1997, complemented by the training of Chinese military officers. Since 2003, the United Kingdom had also started an annual strategic security dialogue with Beijing and had been training PLA officers. It was in this context of growing Sino-European relations in the security and military spheres that the proposal to lift the arms ban began to be discussed.

THE DEBATE

The advocates of an end to the arms embargo would base their case on a number of arguments. Firstly, they claim, China has changed. Since the 1989 Tiananmen Square crackdown on students, Beijing has significantly reformed its system of government and its economy, and improved relations with neighbours. It should be rewarded for this. Former French President, Jacques Chirac, in particular, was in the forefront, dubbing the arms embargo as 'outdated'. In January 2004, Chirac stated that 'the ban no longer corresponds to the political reality of the contemporary world and therefore makes no sense today'.⁴ Former German Chancellor, Gerhard Schröder, during a state visit to China in December 2003, also declared that the embargo should be lifted.⁵ By the end of 2003 Silvio Berlusconi, Italy's Prime Minister, and Jose Maria Aznar, Spanish Prime Minister, had joined the same position. The proposal to lift was officially tabled by France and Germany at the European Council in Brussels in December 2003.⁶ In the following months, the United Kingdom, Finland, and the Netherlands joined the camp of the supporters for the lifting.⁷ Sweden's and Denmark's situations were the most complex. Neither of the two wanted to break the EU consensus but at the same time their parliaments opposed the lifting. Despite the critical stance of the Nordic countries, an EU-15 consensus on initiating discussions on the lifting was reached within the CFSP framework. Later, Ms. Annalisa Giannella, the Personal Representative on Non-proliferation of Weapons of Mass Destruction to Javier Solana (the EU High Representative for the CFSP and Secretary-General of the Council of the EU), began travelling to the United States, Japan, Australia, and to other concerned Asian countries to explain why the Europeans were considering lifting the arms embargo on China.

The official position of the Council in favour of lifting the embargo claimed that the EU Code of Conduct (CoC) on arms sales and normal national arms export policies and controls would still apply, thereby preventing abuses when it came to exporting arms to China. EU officials would add that by treating China as a respected interlocutor, they could encourage its peaceful integration into the international community. They even argued that European weapons would be too expensive and that China had frequently declared that it had no intention of buying weapons from Europe. As such, the end of the embargo would principally serve to show that the EU did not discriminate against Beijing, but treated it on a par with nations such as Russia.⁸

For Chinese leaders, the embargo represented the past. Wen Jiabao, the Chinese Premier, declared that the embargo 'is a product of the Cold War and is totally outdated'.⁹ For Chinese leaders, as long as the arms embargo remained in place, it represented an affront to China's dignity and international standing.¹⁰ Li Zhaoxing, former Chinese foreign minister (2003–7), stated on various occasions that the maintenance of the embargo was a form of political discrimination against Beijing. During the debate on the proposal to lift, Chinese officials would repeatedly stress that the only other countries with which the EU had maintained an arms embargo were Zimbabwe, Sudan, and Myanmar, noting that North Korea had not been subject to the same ban.¹¹

This idea of being discriminate would fit with the victimization narrative that emerged in China since the early 1990s. In this sense, the lifting of the arms embargo by an important Western player such as the EU would allow China to regain honour and prestige, and partly eliminate the humiliating experience of the past. The lifting would also come to represent recognition of China as a respected interlocutor in security and defence affairs. It would allow Beijing to have normal military relations with the EU and its member states and, in the process, send a clear message to those Taiwanese policy makers in favour of independence. Finally, for Chinese officials the lifting would mean that China's transformation had reached the point to be ready to receive equal treatment as a full member of the international society, and not be marginalized and discriminated again as if it was a rogue state.¹² Chinese leaders also recognized in private discussions that the lifting of the arms ban would greatly contribute in pushing forward Sino-European relations, and that for this European companies would be rewarded. EU policy makers (in particular from the large member states) would indeed expect, in return for lifting the ban, some favourable decisions with regard to the purchase of European commercial aircrafts (especially Airbus), automobiles, civil engineering, and transportation infrastructure.¹³

Less concerned by securing contracts for their national companies, the Nordic countries led by Denmark and Sweden repeatedly voiced their criticism regarding China's failure to provide clear and specific evidence of improvement of its human rights record. Chris Patten, at the time European Commissioner for External Relations, explained the position of the more principled EU members by stating that 'more assurances from Beijing on human rights would make it easier for EU governments to explain any decision to lift the embargo'.¹⁴ The European Parliament and some national parliaments also intervened in the debate, opposing the lifting. On 28 October 2003, the Bundestag (the German Parliament), including the vast majority of Chancellor Gerhard Schröder's own Social Democrats and virtually all of Foreign Minister Joschka Fischer's Greens, passed a resolution opposing Berlin's attempts to lift the embargo. On 19 November 2003, the European Parliament passed a similar resolution with 572 votes against 72. On 11 March 2004, leaders of the four German political parties representing Germany in the European Parliament sent an open letter to Chancellor Schröder, urging him to abandon his support for lifting the ban. In the 2005 Annual Report on the CFSP, the European Parliament, with 431 votes in favour and 85 against, urged the Council once again not to lift the arms embargo. In that report, the MEPs 'call on the Council not to lift the arms embargo until greater progress is made in the field of human rights and arms exports controls in China and on cross-Straits relations'.¹⁵

Human rights concerns were not the only arguments used by those opposed to the lifting of the embargo. From a security point of view, the opponents would argue that once the embargo had been lifted, China could be able to acquire weapons systems – especially advanced early warning capabilities as well as surface-to-air and air-to-air missile systems – from Europe that could affect the military balance across the Taiwan Strait in Beijing's favour. In this context, it would be important to recall that French and British military exchanges and joint manoeuvres with the PLA took place in 2004, during the debate on the proposal to lift the arms embargo. Joint manoeuvres are not only an important component of cooperation in military and security matters, but they are also about display of the latest military equipment and technology. France and China held joint military exercises in the South China Sea in March 2004 (just before the presidential elections in Taiwan), the first ever naval manoeuvres between China and a Western country. Following France, in June 2004 the United Kingdom held joint maritime search-and-rescue exercises with the PLA.¹⁶

The United States intervened to strongly criticize (and oppose) the proposal to lift the arms embargo. The US government even voiced threats of retaliation in EU-US industrial and defence cooperation, should the lifting

occur. The Bush administration based its opposition to the lifting on the following reasons: (a) The ban was originally imposed because of concerns over human rights, and the human rights situation in China had not improved to the point where it would merit lifting the ban. (b) The United States has concerns about EU export controls and the ability to protect sensitive technology from being transferred to China, in particular the fact that the EU CoC is not legally binding, that the embargo is interpreted differently by the member states of the EU, and that there could be loopholes in a new CoC. (d) The United States has obligations and interests in maintaining a balance between Taiwan and China and ensuring that Taiwan can defend itself.¹⁷

In response to US criticism, EU officials asserted that the lifting would be mainly a 'symbolic gesture'.¹⁸ In other words, lifting the arms embargo would be a political act that would not suggest that the EU member states would seek to sell arms or defence technologies (which the embargo also covered) to China. EU policy makers also clarified that the lifting was not meant to change the current strategic balance in East Asia as EU members were asked not to increase arms exports to China, either in quantitative or qualitative terms. In the words of the Presidency of the European Council in December 2004:

The European Council reaffirms the political will to continue to work towards lifting the arms embargo. . . . It underlined that the result of any decision should not be an increase of arms exports from EU Member States to China, neither in quantitative nor qualitative terms. In this regard the European Council recalled the importance of the criteria of the Code of Conduct on arms exports, in particular criteria regarding human rights, stability and security in the region and the national security of friendly and allied countries.¹⁹

EU officials also stressed that a revised CoC would be put in place. This new CoC will amend the one adopted in 1998 and establish criteria for EU arms sales worldwide. However, what worried (and still worries) the United States and its Asian allies is that the embargo and the CoC are interpreted differently by EU members.

TECHNICAL PROVISIONS AND BUSINESS INTERESTS

When the EC/EU ban on arms sales to China was adopted on 27 June 1989, it took the form of a European Council Declaration. This was a non-legally binding political declaration whose scope was not clearly defined. As a consequence, EC/EU member states implemented it in various ways in

conformity with their own national export control regulations and policies towards China. The EU arms ban on China is thus a series of national arms embargoes, based on different national export control laws and policies as well as on different definitions of what constitutes arms. For instance, certain countries, given the importance of their arms exports for the national economy, interpret the items covered by the embargo more indulgently, (e.g. France, Italy, the United Kingdom, and the Czech Republic), while others have tended to adopt slightly stricter laws and interpretations (e.g. Germany and Spain).²⁰ This 'patchwork' of national embargoes has not prevented the occurrence of some weapons sales to China. Moreover, the arms embargo on China does not encompass a good number of technologically sensitive items, which are covered, instead, by the EU's Dual Use Regulation. The latter is a legally binding instrument directly applicable to EU member states. It sets out all the requirements that have to be met and the procedures to be followed for an export license to be granted.²¹ It was amended by a Council Regulation (EC No 394/2006) on 27 February 2006.

In the years since the adoption of the arms ban on China, EU member states have sought to converge on arms export control policies. This is illustrated by the common criteria introduced for arms exports in 1991 and 1993 and by the subsequent drafting, in 1998, of the *EU Code of Conduct on Arms Exports*. The CoC lays down eight criteria against which EU members should assess applications to export military equipment. Among the criteria set out in the CoC, several take into account concerns expressed by some allies of the EU, especially the United States. For instance, respect of human rights in the country of final destination (Criterion Two), preservation of regional peace, security, and stability (Criterion Four), national security of the member states and of territories whose external relations are the responsibility of a member state, as well as that of friendly and allied countries (Criterion Five), existence of a risk that the equipment will be diverted within the buyer country or re-exported under undesirable conditions (Criterion Seven), and compatibility of the arms exports with the technical and economic capacity of the recipient country (Criterion Eight).²²

In addition, the operative provisions of the CoC require, *inter alia*, the EU member states to publish an annual report on arms exports, containing statistical annexes. These have become increasingly detailed since the first EU annual report in 1999, so that they now contain figures on the number and value of licences granted per destination and on the number of denials issued, as well as the criteria on which those denials were based. Moreover, on 23 June 2003, the European Council adopted a Common Position (2003/468/CFSP) on the control of arms brokering in order to avoid the circumvention of United Nations, EU, or OSCE embargoes on arms exports. On 25 April

2005, in accordance with Operative Provision 5 of the Code of Conduct, the Council adopted a new version of the EU's Common Military List. In October 2005, in a further move, the EU member states adopted a *User's Guide to the EU Code of Conduct on Arms Exports*, with the aim of helping member states (in particular export licensing officials) apply the Code of Conduct.²³

According to EU officials, the above provisions are aimed at ensuring mutual political control among member states, as well as transparency and accountability. However, a report by the European Parliament released in October 2004 pointed out that both the embargo and the CoC had been varying and erratically applied by EU member states in the past.²⁴ In addition, the Council in its various annual reports on the EU CoC on Arms Exports has time and again declared that some EU member states (in particular the large ones) have partially sidestepped the embargo by supplying China with components for military equipment. According to American analysts, since the early 1990s, European sales to China with regard to defence and military-related items have increased from €55 million to reach €400 million at the beginning of the 2000s. By comparison, Russian arms sales to Beijing rose from \$1.2 billion to about \$2.5 billion in the same period.²⁵ Among the EU member states, France has traditionally accounted for the largest share of exports followed by the United Kingdom, Germany, and Italy (in varying degrees, depending on the year under consideration).

In October 2006, (based on 2005 data, i.e. during the debate on the proposal to lift) the Council of the EU in its *Eighth Annual Report on the EU Code of Conduct on Arms Exports* declared that a number of EU member states had partially sidestepped the embargo by supplying China with components for military equipment. Among the EU-25, France accounted for the largest share of exports (100 licenses issued for a value of €150 million), followed by the United Kingdom (forty-four licenses for a value of €88 million) and Germany (twenty-eight licenses for a value of €46 million). With regard to the items sold, the majority were in the ML10 category (aircraft, unmanned airborne vehicles, aero-engines, and aircraft equipment) with forty-one licenses granted, followed by the ML15 category (imaging or countermeasure equipment, specially designed for military use) with thirty-eight licenses. It should be noted that France alone accounted for thirty-seven ML15 licenses.²⁶ In sum, notwithstanding the embargo, some EU governments (and their arms manufacturers) would be able to circumvent it by selling components for arms or dual-use goods to China.

EU arms producers are eager to enter the promising Chinese market. For Europe's aerospace and defence sector, China (and indeed the whole of Asia) is just another market. Asia has, in fact, become an increasingly important market for the European defence industry that depends more and more on

exports for the bulk of its revenues. A large share of the demand for aerospace and defence products (both civilian and military) over the next twenty years is projected to come from outside United States or European markets and, to a large extent, from Asia. Moreover, the European defence industry suffers much more from the embargo than do US arms producers, who have the benefit of a domestic defence market much bigger than all of Europe combined. US defence firms also regularly capture around half of the business in international arms exports. Putting an end to the arms embargo is, however, unlikely to result in Beijing immediately buying more European weapons and defence technologies. European defence firms cannot hope to compete with Russia's prices or technology-transfer arrangements, nor with the fact that Russian weapons are simply a better fit for a Chinese army still based, to a large extent, on Soviet design and technology. More likely, European arms producers would mainly provide the PLA with competing bids in order to extract better deals from Moscow. What Europe's defence and aerospace companies might be able to sell to China, though, is components or subsystems that could fill critical technology gaps, particularly in such areas as command and control, communications, and sensors. Communications gear, hardened computer networks, and night-vision cameras, as well as the most advanced early-warning systems and recognition satellites could contribute to the modernization of the PLA and help Beijing in countering Taiwan's weapons systems imported from the United States.

The lifting of the arms embargo would also allow EU aerospace and defence companies to sell to Beijing weapons systems that use satellite positioning and targeting. For instance, the Franco-German-Spanish European Aeronautic Defence and Space Company (EADS) is directly involved in the manufacture of satellite-guided weapons systems. EADS is also Galileo's largest industrial partner. The EADS group includes, *inter alia*, Airbus (the aircraft manufacturer), Eurocopter (the world's largest helicopter supplier), and MEDA, the world's second largest missile producer.²⁷ EADS is also a major partner in the four-nation (United Kingdom, Germany, Italy, and Spain) Eurofighter consortium as well as the prime contractor for Ariane, the launcher that will deliver the Galileo satellites into orbit. In December 2005, for instance, EADS signed two lucrative deals with China. Wen Jiabao, the Chinese Prime Minister, and his French counterpart, Dominique de Villepin, agreed on the Chinese purchase of 150 Airbus A320, and on a deal between Eurocopter and the Chinese company AVIC II to jointly develop a new helicopter, the EC175.

China is also interested in technology transfer, co-development and co-production of defence-related items with European companies. Chinese policy makers would appear to be particularly interested in French missile, German submarine, British engine, and Italian radar systems and aircraft

technology, including advanced electronics and information technology, precision guidance for missiles, sensors, lasers, radars, and stealth technology. In sum, EU defence and aerospace companies would undoubtedly profit from the lifting of the arms embargo, since it would pave the way for arms and defence technologies sales from China which is currently the second fastest growing procurement budget in the world after the United States. The problem facing EU policy makers and industrialists is that the European defence and aerospace sector is still largely dependent on US cooperation in defence technology, as well as on the US market itself. The United States have repeatedly warned Europeans that retaliation could take the form of target sanctions on specific defence contractors who sell sensitive military-use technology or weapons systems to China. According to US policy makers, these companies could be restricted from participating in defence-related cooperative research, development, and production programs with the United States in specific technology areas or in general. Such measures are permitted by the rules of the World Trade Organisation (WTO), which provide for protectionist measures based on national security concerns.²⁸

Washington is adamant that its advanced defence technology, currently shared with European allies, should not end up in Chinese hands. During the debate on the proposal to lift the ban (from Autumn 2003 to Spring 2005), EU policy makers hoped that informal consultations with the United States and its main Asian allies on what the EU member states intended to sell to China would prevent sensitive technology transfers and defuse a serious transatlantic dispute. This hope, however, underestimated US opposition to the lifting of the arms embargo. Washington repeatedly complained that even by proposing such a move, the EU was acting 'irresponsibly' towards East Asia, an area where the European Union has few real strategic interests, but where the United States is robustly committed to its security. The Chinese arms embargo issue showed to US policy makers that the European allies were making different connections between China's rise and East Asia's strategic balance, largely due to the different responsibilities towards the area. While the EU is pretty much absent from East Asian affairs, Washington is the true guarantor of the region's stability and security.

US ROLE IN EAST ASIA

From the Spanish-American war through the Cold War, the United States seems to have understood that its security depends upon preventing any hostile foreign power or coalition from dominating the Asia-Pacific.

America's alliances in East Asia and its military presence have provided a stable security structure for the region in recent decades. Tens of thousand of personnel is deployed in permanent bases in Japan and South Korea. Mutual defence treaties with Tokyo and Seoul (plus unofficial agreements with Taipei) underpin the US security presence in Northeast Asia. In Southeast Asia, the United States has security treaties with Australia, the Philippines, and Thailand.²⁹ From an economic perspective, the US market is a major driver for many East Asian economies. In turn, East Asia has become the most important trading region for the United States, having surpassed even North America. The economic importance of the region is not limited to trade alone. During the extraordinary growth of the mid- to late-1990s, US equity investors shifted their focus increasingly to Asian markets and, over time, the stock of American investment in the region expanded dramatically. East Asia has become the provider of inexpensive, high-quality products to US consumers, creating a huge trade deficit with these countries, reflected in the growing foreign reserves kept within the regions' central banks, especially China and Japan. Consequently, the United States has a strategic interest in the prevention of regional warfare, particularly a conflict that would involve East Asia's largest powers. The interest in maintaining a peaceful environment in East Asia is based on the desire to prevent disruptions to global commerce and the likely exacerbation in tensions and possibility of an arms race. For US policy makers, both conflicts and military build-ups among East Asia's major powers would bring about serious consequences for Washington.³⁰

After the demise of the Soviet Union and in a changed geopolitical environment, the rise of China has become the single most important challenge for US foreign policy in Asia. As a result, US-China relations have become the central factor for regional (and global) stability. At the economic level, there seems to be an implicit trade-off with Beijing: Washington tolerates China's surging exports to the United States and the resulting bilateral trade surplus for China, but China recycles its new wealth, helping to finance the US budget deficit. By the end of 2008, China had accumulated a total of ca. \$2,000 billion in foreign reserves. Of these, around a quarter were invested in US Treasury Bonds (\$535 billion) and another similar amount (ca. \$500 billion) invested in other US-government backed liabilities such as bonds issued by Fannie Mae and Freddie Mac, the giant US mortgage lenders.³¹ Economically, China and the United States are increasingly interlocked. At the political level, though, things are different. In the 2002 National Security Strategy, the Bush administration stated that the US 'welcome[s] the emergence of a strong, peaceful, and prosperous China'.³² However, the United States also believes that China's declared peaceful rise (and in the latest version, its 'harmonious development') cannot be taken for granted, and that the lack of democratization and political

liberalization in China could presage tensions in future US–China relations. The Taiwan issue continues in fact to loom large on US–China relations. The United States is committed to assisting the island under the Taiwan Relations Act, the 1979 law that accompanied the US switch of diplomatic recognition from Taipei to Beijing.³³ The Bush administration repeatedly declared its firm commitment to the defence of Taiwan. Likewise, the administration of Barack Obama have done the same. Chinese leaders have time and again stated that they are ready to use violence at home to keep China intact, stressing that Taiwan is a part of Chinese territory.

The complexity of US–China policy is reflected in the dichotomy between the economic and the political dimensions. While China's growth has largely contributed to prop up American consumers' spending and GDP, its fast-growing economy is also providing Beijing with previously unimaginable financial and technical resources with which to modernize its armed forces.³⁴ Defence spending in China and the perception of its sustained pace have a direct bearing on East Asia's strategic balance, in particular across the Taiwan Strait. This, in turn, is of immediate concern for US national security and strategic interests in the area.

China's defence and military developments have come to top the agenda of US policy makers and analysts in the various Washington-based think tanks. Yet, estimates of the real China's military budget seems to be quite difficult to assess. American analysts argue that 'even the PLA is probably unsure of how much money the Chinese military has at its disposal'.³⁵ China's defence industry has been restructured in recent years to increase efficiency and put it on a profit-seeking basis. The Chinese government has also unveiled plans for a blue-water fleet including destroyers with stealth features, hard-to-detect submarines, and support craft. In its 2007 report on the *Military Power of the People's Republic of China* (MPPRC) the US Department of Defence compiled a list of estimates by various government and research institutes about China's military spending (see Figure 6.1). These assessments are based on different (and sometimes incompatible) methods to account for the PLA's off-budget expenditures, sources of income, and other factors. Moreover, the use of two different exchange rate models – official exchange rate and purchasing power parity (PPP) indices – would further complicate estimates of China's defence spending.

Blocked by the EU arms embargo and Washington's refusal to authorize arms sales to the mainland, Beijing has depended largely on Russia as a supplier in recent years and (to a lesser extent) other countries like Ukraine and Israel.³⁶ During the annual session of the National People's Congress in March 2005, Beijing announced a 12.6 per cent increase in its official defence budget, to \$30 billion. The timing coincided with discussions between the EU

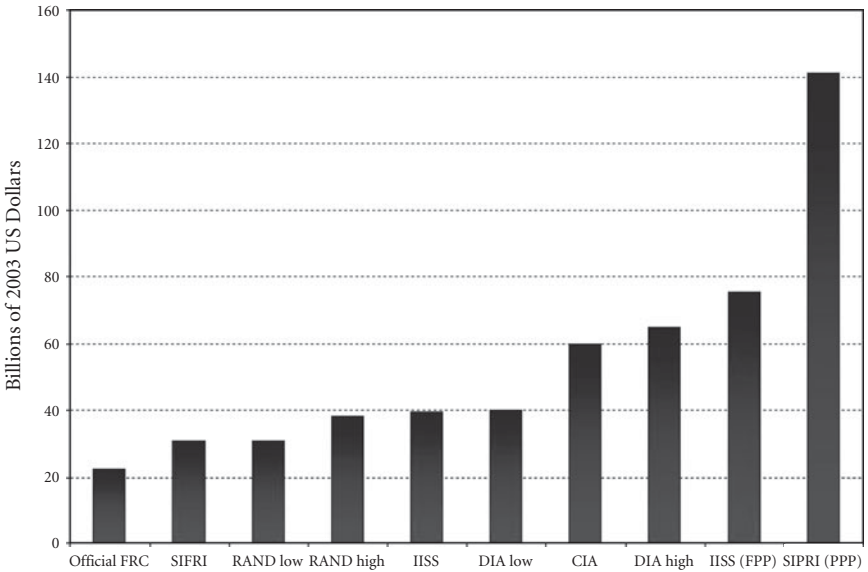


Figure 6.1. Comparison of estimates of China's military spending in 2003

AQ8

Source: Office of the Secretary of Defence, US Department of Defence, *Military Power of the People's Republic of China* (MPPRC), Washington, 29 May 2007, p. 26.

and the United States (and its Asian allies) as to whether to lift the EU arms ban. In Spring 2005, the RAND Corporation concluded that China's total defence expenditures (based on 2003 data) were between 1.4 and 1.7 times the official numbers.³⁷ The United States was particularly worried by the size of China's foreign procurement budget. In the same period, The International Institute for Strategic Studies (IISS) stated that China's foreign procurement budget 'is not known, but is likely to be substantial'.³⁸ Based on these estimates, China would rank third in the world in overall defence spending, after the United States and Russia. These data would be used in the debate on the proposal to lift the ban. The more conservative elements in the Bush administration would strongly oppose the lifting as they increasingly viewed Beijing as an emerging threat to United States and its Asian allies (in particular Taiwan, but also Japan). They would argue that China's military spending was growing both rapidly and in a sustained fashion precisely at a time when there was no pressing external threat to Beijing. This alone fuelled suspicions in the Bush administration and among some of its Asian allies, that Beijing was actively pursuing a military build-up.³⁹ In 2005, the US Department of Defense's report on the *Military Power of the People's Republic of China* (MPPRC) concluded that the modernization of the PLA had gone beyond

preparing for a Taiwan scenario and was likely to threaten third parties operating in the area, including the United States.⁴⁰

Beijing responded that the country was engaged in a peaceful rise, and working towards a harmonized world and a new security concept. Chinese leaders explained that their peaceful regional posture would find support in the firm belief that without peace and prosperity around China, there will not be peace and prosperity at home. As the logic goes, without peaceful development at home the survival of the current CCP regime would be in serious trouble. This is a powerful argument in favour of a peaceful rise, though the more hawkish policy makers in the United States (in particular in the Department of Defense) would not fully buy into this argument and insisted, during the debate on the proposal to lift, that China was focusing on procuring and developing weapons that would counter US naval and air power, especially in the Taiwan Strait. There was undoubtedly a political use of figures showing China's growing military spending, as this would play in favour of the advocates of bigger budgets for the Pentagon. But besides domestic wrangling over the allocation of resources, US policy makers were genuinely appalled by the prospect of a China armed with weapon technologies from the EU facing US forces in the South China Sea. Such a scenario would change the post-Cold War geopolitical order (and transatlantic relations) forever. It would tilt East Asia's strategic balance in Beijing's favour and put American forces committed to the maintenance of the status quo at risk. To avoid such a prospect, the Bush administration began putting pressure on EU governments, in particular the more Atlanticist ones, as soon as plans for the lifting had been unveiled.

DIPLOMATIC WRANGLING

US opposition gained momentum at the beginning of 2005, when observers were expecting the EU to lift the sixteen-year-old embargo to coincide with the thirtieth anniversary of the establishment of diplomatic relations between the EC and the PRC in 1975. In February 2005, the Republican Policy Committee circulated a paper compiled by John Kyl, an Arizona Senator, which warned, in essence, that if the EU ignored US security concerns, the United States would restrict defence technology transfers to EU member states.⁴¹ On 2 February 2005, the US House of Representatives voted unanimously (411–3) to pass a resolution condemning the EU's moves towards lifting its arms embargo on China.⁴² The resolution alleged that lifting the embargo could destabilize the Taiwan Strait and put the US Seventh Fleet at risk. 'It is in this context that the

EU's current deliberations on lifting its arms embargo on China are so outrageous' declared Tom Lantos, the senior Democrat on the House of Representatives' International Relations Committee.⁴³ The European advocates of the lifting did not think that their move would have a significant impact on the military balance in the Taiwan Strait. In the words of Jacques Chirac, the French President, at the forefront of the proposal to lift, an eventual lifting 'n'est naturellement pas de nature à modifier les rapports stratégiques'.⁴⁴ In the United States, instead, both the Republicans and the Democrats argued that the proposal to lift the arms embargo was a cynical ploy to open doors for the European defence industry, that it would put at risk American troops in the area and that, even if arms sales remained limited, the EU would be tossing aside more than a decade of human rights concerns for economic gains.⁴⁵

US concerns were largely shared by its Asian allies, in particular by Japan and Taiwan. The Ministry of Foreign Affairs of Taiwan issued a position paper on the arms embargo where it stated that the lifting:

would equate to nothing less than an endorsement of China's continued misconduct. By this token, China's leaders could end up believing that China's economic allure means that they can make the European Union cooperate without making any effort to resolve the issues related to the Tiananmen Square incident and other human rights issues.⁴⁶

The document added that an eventual lifting would represent 'support for China in its attempt to use force to undermine Taiwan's sovereignty, security, and dignity'.⁴⁷ Also, Japanese diplomats pointed out the potential military and strategic implications of an eventual lifting. On 8 February 2005, Nobutaka Machimura, Japan's Foreign Minister, expressed his country's opposition to the lifting on the basis that it would have 'a negative effect on security not only in Japan, but also in East Asia'.⁴⁸ Japan's main concern would be related to China's rise in the region and its increasing defence budget characterized by a lack of transparency and clarity as to the potential enemies against whom China's military capabilities would be directed. Japanese policy makers were worried that the lifting of the arms embargo could help China improve its naval capabilities and the planned blue-water fleet, thus threatening Japan's sea lanes of communication in the region. Moreover, officials in the Japanese Ministry of Foreign Affairs were adamant in suggesting that an eventual lifting would tilt the military balance in the Taiwan Strait in favour of Beijing.⁴⁹ According to Japanese scholars, the lifting could embolden the Chinese regime and play into the hands of those who favour a military resolve against Taiwan.⁵⁰

Tokyo's opposition vis-à-vis the lifting was compounded by growing security concerns towards Beijing. Japanese worries were sharpened at the end of 2004, in the midst of discussions on the proposal to lift, when a Chinese

nuclear-powered submarine entered Japanese territorial waters. Sino–Japanese relations had already been strained by repeated incursions by Chinese destroyers into a disputed part of the East China Sea, which is believed to contain rich oil and gas deposits. On 16 February 2005, the United States and Japan held their regular top-level security talks at which they agreed to set new common security objectives to deal with what they called ‘unpredictability and uncertainty’ in East Asia. The 2005 talks were also meant to boost – and renew – the 1994 US–Japan Security Alliance, which remains the linchpin of US security strategy in East Asia. In the joint February 2005 *communiqué*, the United States and Japan declared that Taiwan was a ‘mutual concern’ and that both sides had a common strategic interest in a peaceful resolution. The same day, Porter Goss, at the time director of the US Central Intelligence Agency (CIA), during a hearing before the US Senate Select Committee on Intelligence, warned that China’s military modernization was tilting the balance of power in the Taiwan Strait and was increasing the threat to US (and its Asian allies) forces in the region. Goss stated that China was making determined military and diplomatic efforts to ‘counter what it sees as US efforts to contain or encircle China.’⁵¹

The Chinese Foreign Ministry condemned both Goss’s statement and the reference to Taiwan contained in the renewal of the US–Japan security alliance as interference in China’s internal affairs. The official *People’s Daily* newspaper wrote of a ‘brazen provocation which the Chinese people would not tolerate’, accusing the United States and Japan of seeking an excuse to expand in the Pacific with the aim of containing China.⁵² A few weeks later, on 15 March 2005, the Chinese National People’s Congress adopted the Anti-Secession Law (ASL) which reiterates the ‘sacred duty’ for the PLA to take military action if Taiwan takes a decisive step towards declaring independence. The ASL was passed precisely while the debate on the proposal to lift was underway in Europe and a delegation of the Council of the EU was in Washington trying to explain matters to the American ally. The ASL had been under preparation for some time. However, Chinese leaders did not foresee the consequences of the passing of the ASL for the EU’s proposal to lift the arms ban.

In the same days of the passing of the Chinese ASL, Condoleezza Rice, the US Secretary of State, during her visit to Asia, declared that the lifting ‘might actually serve to alter the military balance in a place where the United States, in particular, has very strong security interests’. The US Secretary of State added that an initiative that appears to be modifying the military balance between China and Taiwan ‘would constitute a problem for the U.S.’⁵³ It would also reinforce Taiwanese pressures on the US Congress for approval of a multi-billion weapons and arms sales package. High ranking EU officials such as Javier Solana (the EU High Representative for the CFSP and

Secretary-General of the Council of the EU), Benita Ferrero-Waldner (the EU Commissioner for External Relations), and Peter Mandelson (the EU Commissioner for Trade), would respond to US policy makers that the arms embargo was unfair, anachronistic, and that it was souring relations with China. For the Europeans, the lifting was mainly a politically symbolic act aimed to put aside Cold War thinking and improve relations with a rising China.⁵⁴ Solana explicitly stated that the lifting would not mean 'increasing arms exports'.⁵⁵ Jacques Chirac added that the lifting will not 'alter strategic relations in East Asia'.⁵⁶ Notwithstanding EU policy makers' responses to US criticism, the Bush administration continued to be unconvinced by the opportunity of an eventual lifting. In April 2005, Robert Zoellick, at that time US Deputy Secretary of State, posed the following question to EU policy makers: 'As Europe becomes a larger player on a global stage, we urge it to consider some of the messages it sends. Why would Europe want to send that symbolic message to this point?'.⁵⁷ In the end, the EU could not find the internal strength and necessary cohesion to send such a powerful message.

POSTPONEMENT

At the European Council in Brussels in June 2005, EU member states decided to officially postpone the issue, finding the timing inappropriate for the lifting. To sum up, this was due to: (a) the strong opposition from the United States and its Asian allies; (b) increasing uneasiness in many national parliaments and within the European Parliament; (c) China's failure to provide clear and specific evidence of improvement of its human rights record; (d) the passing of China's Anti-Secession Law; (e) a new, and more pro-American, European Commission; and (f) the accession to the EU of ten new – and more Atlanticist – members. The final act was staged at the eighth EU–China Summit in September 2005 when the two sides agreed to set up a strategic dialogue to exchange views on East Asia. Initiated in December 2005, it complements the EU–US and the EU–Japan Strategic Dialogue on East Asia (initiated respectively in May and September 2005). These consultative mechanisms were intended to move EU–China relations forward, and take into consideration US and Japanese perspectives on East Asia. The EU devised the strategic dialogues under pressure from the United States and Japan which wanted to be consulted more on what the EU was doing (and was planning to do) in East Asia. The strategic dialogues would address issues such as East Asia's military balance, China's rise and its military spending, and so forth.⁵⁸

The Chinese arms embargo issue, even if shelved, would nonetheless contribute to changing perceptions of the EU in East Asia. Policy makers in the region would in fact increasingly view the EU as a novel strategic factor. For the first time since the end of the Second World War, some European initiatives towards China (even if only proposed) would conflict with Washington's interests (and role) in the region and affect security calculations among the Asian allies of the United States. The diplomatic wrangling around the proposal to lift would show profound differences between the EU and the United States on the connections made about East Asia's strategic environment. While Washington would stress its commitment to the maintenance of the status quo in the region, EU policy makers would emphasize that the lifting would not alter the military balance in the region. What worried the United States and its Asian allies was that the EU was not involved in regional security, yet the Europeans were ready to enmesh into East Asia's balance of power without a clear political vision in sight. In the end, EU policy makers would be largely taken by surprise as they did not foresee the implications of the proposal to lift for East Asia's strategic balance – and for the way the EU would be perceived in the region thereafter.

This page intentionally left blank

Part III

Implications

The establishment of an EU–China techno-political linkage through cooperation in the development of the Galileo satellite system and attempt to enhance defence-related links by proposing to lift the EU arms embargo on China would change perceptions of the EU in East Asia. The EU would begin to be perceived not only – and solely – as an economic bloc, but also as a potential strategic factor in the region. The promotion of EU space and defence interests in China would impinge, in fact, on the strategic interests and security calculations of the United States and its Asian allies, making of the EU – albeit inadvertently – a novel political factor for East Asia’s major powers. This could be explained, to a large extent, by the connections made by East Asian and US policy makers between EU–China space cooperation and the proposal to lift the arms embargo with the peculiar characteristics of East Asia’s international system. The latter appears to be dominated by a zero-sum game and balance of power logic. In such an environment, a perceived increase in China’s space and defence capabilities would be taken in by the US and its Asian allies as having immediate implications for the region’s military and strategic balance, especially since the contours and direction of China’s foreign policy are still unclear and there could be possible tensions not only in US–China relations (especially over Taiwan) but also in Japan–China relations. By enmeshing into East Asia’s strategic balance (through a techno-political linkage with China) civilian power Europe had turned – as perceived by the United States and its Asian allies – into a potentially novel (and ‘irresponsible’ for some) realpolitik foreign policy actor. This was felt to be a departure from Europe’s traditional involvement in East Asia’s security affairs.

With the eventual postponement of the proposal to lift, the EU would begin to take into serious consideration the United States and its Asian allies’ (in particular, Japan) perspectives about China’s rise and regional security. This European reorientation towards the positions of the American ally was embodied in the *Guidelines on the EU’s Foreign and Security Policy in East Asia* adopted by the Council of the EU in December 2007. The document would put a seal to those elements of the EU–China relationship perceived to be detrimental to the role and responsibility of the United States in East Asia. It also marked the end of the ‘honeymoon’ period in EU–China relations. It was a victory for the advocates of American primacy in world affairs as it demonstrated that the United States was still firmly in command of major political decisions within the Western camp. In July 2008, the decision of the EU to exclude Chinese contractors from the second phase of implementation of Galileo would put a temporary halt to Sino–European cooperation in satellite navigation. The move by the European Space Agency and the European Commission to exclude China

from the second phase of Galileo would deal a blow to what had remained of the techno-political linkage initiated in Autumn 2003. It would signal growing uneasiness in Europe towards the most ominous attempt by some large continental countries of Western Europe to temporarily 'ally' with China in order to counter US primacy in key high-tech industrial sectors, and foster European autonomy in political and security affairs.

This page intentionally left blank

The EU and East Asia's Strategic Balance

The establishment of an EU–China techno-political linkage through cooperation in the development of the Galileo satellite system, and the attempt to promote defence links and weapons sales by proposing to lift the EU arms embargo on China would contribute to changing perceptions of the EU in East Asia. Policy makers from the United States, Japan, South Korea, and Taiwan would begin to regard the EU not only, and solely, as an economic bloc, but also as a potential strategic actor. The promotion of EU space and defence interests in China would, in fact, impinge on the strategic interests and security calculations of the United States and its Asian allies, making of the EU – albeit inadvertently – a novel political factor in the region's strategic balance. This can be explained, to a large extent, by the connections made by East Asian and US policy makers between EU–China space cooperation and the proposal to lift the arms embargo with the peculiar characteristics of East Asia's international system. The latter appears to be dominated by a zero-sum game and balance of power logic to the point that some scholars have defined the regional system as teetering on 'Bismarckian'.¹ In such an environment, a perceived increase in China's space and defence capabilities would be taken in by the United States and its Asian allies as having immediate implications for the region's military and strategic balance, especially so since the contours and direction of China's foreign policy are still unclear and there could be possible tensions in US–China relations (especially over Taiwan) but also in Japan–China relations. Therefore, it is argued here that it was the encounter of initiatives aimed to promote EU space and defence interests, including sending a message of trust and political recognition to Beijing, with a strategic environment still rooted in balance of power (and security dilemma) logic that produced an outcome which was strongly opposed by the United States and its Asian allies on the one hand, and that caught the Europeans largely by surprise on the other. It was post-modern Europe meeting with an hobbesian regional system, a vindication of Robert Kagan's notions of paradise and power.² By inadvertently enmeshing into East Asia's strategic balance through a techno-political linkage with China, civilian power Europe had turned – as perceived by the United States and its Asian allies – into a

potentially novel (and 'irresponsible' for some) realpolitik foreign policy actor. This was felt to be a departure from Europe's traditional involvement in East Asia's affairs.

INVOLVEMENT OF THE EU IN EAST ASIA

The establishment of a techno-political linkage with China, including the proposal to lift the arms embargo, would be but the logical extension in the security and strategic fields of the policy of constructive engagement adopted by the EU and its member states since the mid-1990s. Back in April 1995, in its first policy paper on China the European commission laid out a strategy of engagement across the board in a situation characterized by the absence of conflict issues between the two sides and the lack of any serious commitment by Europeans for East Asian security.³ A couple of months earlier (February 1995), the US Department of Defense issued its *East Asian Strategy Report* which would henceforth guide American security policy towards the region.⁴ At the time, there was an intense debate between the advocates of containment vis-à-vis China and those who favoured engagement. Yet, the containment option soon appeared unfeasible since, unlike the Soviet Union during the Cold War, China's neighbours (with the exception of Taiwan) did not see Beijing as a clear and present danger. Moreover, for many US policy makers, treating China as an enemy would guarantee future acrimony, thus unnecessarily discarding the possibility of a more benign outcome. The result of the debate was the US Department of Defense's East Asia strategy report adopting an approach aimed to 'balance and integrate'. Something which would accompany US involvement in the region ever since. In the Pentagon's 2008 *National Defense Strategy*, the defining principle for East Asia would be, again, that of 'balance'.⁵

The 1995 Pentagon's document described an East Asian balance of power resting on the triangle China–Japan–United States. The report argued that strengthening the US–Japan relationship would encourage a favourable regional balance for US interests adding that a simultaneous engagement policy with China and support for its entry into the World Trade Organization (WTO) and other international institutions would create incentives for a positive and peaceful foreign policy behaviour. The Pentagon's report confirmed the Clinton's administration's intention to maintain approximately 100,000 troops in the region for the foreseeable future, while increasing efforts to share security responsibilities with US 'friends and allies' and broaden bilateral and multilateral engagement. The United States laid out a comprehensive regional

strategy which encompassed economic, political, diplomatic, and military aspects. In the case of the EU and its member states, instead, involvement in China and, more generally, in the East Asian region would be mainly driven by economic considerations as regional security was left to the care of the American ally. In the post-Cold War period, the EU would, in fact, be allowed to engage with the thriving markets of the Far East by free-riding on the US's robust military commitment to guaranteeing the security and public goods in the region.

Devoid of security and strategic concerns, the EU and its member states would be free to develop a more pro-active Asian policy and foster economic relations with East Asian countries. The first European Commission policy paper on the region, the *New Asia Strategy* (NAS) adopted in 1994, was based on the assumption that in an interdependent world economy, Europe's global competitiveness and socio-economic welfare position would increasingly depend on Europe's capacity to take advantage of the thriving emerging markets in the Far East. Back in 1993, Germany had been the first EU member state to put forward a strategy towards East Asia. Three years later, in 1996, the ASEM process was created. Since the beginning, EU policy in East Asia has been based on two axes: on the one hand, EU member states (in particular the large ones) would focus on enhancing economic exchanges and business opportunities. On the other hand, the EU level (mainly through the European Commission) would seek to promote human rights and the rule of law across the region, in tune with the perceived role of the EU as a civilian (and normative) power.

Along with inter-regional initiatives such as ASEM, over the years the EU would deepen and widen bilateral relations with East Asia's major regional grouping (ASEAN) and powers. In July 2003, the European Commission released *A New Partnership with South East Asia*, reaffirming the growing importance of the relationship and recognizing that the EU–ASEAN partnership is a 'dialogue between equals'.⁶ As part of the new South-East Asia strategy, in 2003, the EU launched the Trans Regional EU–ASEAN Trade Initiative (TREATI) and agreed, at the ASEM 6 summit in Helsinki in September 2006, to push forward negotiations for comprehensive bilateral partnership and cooperation agreements with Thailand and Singapore, which could pave the way for a wider EU–ASEAN free trade agreement.⁷ Since the early 2000s, the EU would also establish strategic partnerships with East Asia's major powers: China, Japan, and South Korea.

The EU has traditionally engaged East Asian nations at the economic level. The region accounts for almost a fourth of the EU's external exports and has become one of the major outlets for European goods and investments. The EU is an important economic partner for many East Asian countries,

overtaking in certain cases (i.e. China and South Korea) the United States in overall volume of trade. A growing number of European companies have been relocating activities in the region, in particular China, in order to profit from its cost advantage. Due to the growing significance of East Asian markets for Europe's economic security, EU policy-makers have begun, in the last few years, to devote more attention to the region's political and security dynamics that have the potential to affect regional stability and, as a consequence, Europe's business interests in the area. In September 2001, the EU published the document *Europe and Asia: A Strategic Framework for Enhanced Partnership* asserting that the prosperity of the two regions was inseparably linked.⁸ The area covered as Asia would be broadened from the 1994 policy paper: it now included all the countries in South Asia, South-East Asia, and North-East Asia that had been previously covered in the 1994 NAS (bearing in mind the change of status of Hong Kong and Macau after their return to China in 1997 and 1999, respectively) plus Australia and New Zealand. In the paper, the European Commission clearly stated that the economic prosperity of Europe could be jeopardized by both economic turbulences (as during the financial crisis of 1997/98) as well as by political instability in the East Asian region.

Among the occurrences that could have a bearing on Europe's interests in the region, there are disturbances in the economic and political climates of Japan and China (which are the second and third largest economy in the world), tensions in the area that may destabilize the sea lines on which Europe's trade with the region depend, and any instability in Kashmir, the Korean Peninsula, or in cross-Strait relations (i.e. between China and Taiwan) which would likely involve the United States and other Asian powers.⁹ European concerns for Asia's stability were also included in the *European Security Strategy* (ESS) paper adopted by the European Council in Brussels on 12 December 2003. The ESS states that 'problems such as those in Kashmir [...] and the Korean Peninsula impact on European interests directly and indirectly [...] nuclear activities in North Korea, nuclear risks in South Asia... are all of concern to Europe'.¹⁰ In the same vein, in a speech in July 2005, Benita Ferrero-Waldner, EU Commissioner for External Relations (2004–9), stated that 'security in the Far East is a topic of direct concern to European interests. It is part of the overall global responsibility for security and stability that lies at the heart of the EU's role in foreign policy'.¹¹ But what have the EU and its member states done, in practice, in order to contribute to peace and security in Asia?

Europe's involvement in Asian security affairs dates back to the early 1990s and has intensified in recent times. The EU is a member of the multilateral security activities of the ASEAN Regional Forum (ARF) and the Council for

Security Cooperation in Asia Pacific (CSCAP). The ARF as 'track-one' represents the governmental level (in particular, diplomats from the foreign ministries), CSCAP as 'track-two' involves regional experts of think tanks and universities, as well as government officials in private capacity. With the establishment of ASEM in 1996, a 'track-two' has been initiated which also includes a multilateral security dialogue on various levels between Europe and Asia. In September 1997, the EU through the European Commission has also become a member of the Korean Energy Development Organization (KEDO), created to implement denuclearization of the Korean peninsula. Since their establishment, all the above inter-regional security cooperation activities have been widened and deepened. Moreover, a number of bilateral security and military cooperation agreements between EU members and Asian countries have been initiated.

The EU and its member states have also contributed to peace and security in the region by assisting the establishment of democratic governments in Cambodia and East Timor. The EU has also been instrumental in ensuring the implementation of the peace agreement between the Government of Indonesia and the Free Aceh Movement (GAM), which fights for the independence of the Indonesian province of Aceh. In tune with its role as a normative power intent on spreading values abroad, the EU is committed to supporting the protection of human rights and the spreading of democracy, good governance, and the rule of law in the region. The European Commission has also built global partnerships and alliances with East Asian countries in international fora to help address the challenges of the globalization process and address non-traditional security issues such as the environment and climate change, migration, and terrorism. The EU and its member states also provide substantial humanitarian assistance to Timor, North Korea, and Indonesia. The EU has been traditionally perceived in the region as mainly, if not exclusively, a civilian (and normative) actor endowed with soft power capabilities (mainly trade and development aid). The EU's distinctive and cumbersome foreign and security policy decision making process would be perceived as the main reason hindering the ability of the EU to speak with a single voice on high political issues.

In terms of hard power, EU member states have no permanent military forces deployed in Asia, especially after the return of Hong Kong to China. Great Britain remains, however, a member of the Five-Power Defence Arrangements (FPDA), a military consultation agreement with Australia, Malaysia, New Zealand, and Singapore. In addition, France has an operational military presence in the Indian Ocean and the South Pacific, with thousand of troops which can be deployed in Asia in a relatively short time. The only notable involvement of the EU and its member states in East Asia's military

balance is confined to the sale of arms and weapons systems. The region has emerged in recent times as one of the largest developing world markets for arms sales, accounting for almost half of all global purchases made in recent years. The demand for aerospace and defence products (both civilian and military) over the next decades is projected to come to a large extent from that part of the world. The EU's invitation to China (2003) as well as India (2005), and South Korea (2006) to collaborate on the development of the Galileo satellite system aims to exploit the promising commercial opportunities arising from the region's buoyant space programmes. In the same vein, the proposal to lift the EU arms embargo on China (currently shelved) was an attempt to take advantage of the promising Chinese market for defence procurement. These initiatives reflect a willingness (and new capabilities) by the EU to upgrade its political and security involvement in the region. It also indicates a readiness to enmesh into the region's profitable aerospace and defence sectors. These developments follow initiatives in Europe geared towards the establishment of a common European security and defence policy (ESDP) and efforts aimed to acquire a greater security role in world affairs. However, EU policy makers have been somehow slow in recognizing that such initiatives could have a bearing on the region's strategic balance.

THE EU AND EAST ASIA'S STRATEGIC BALANCE

Benita Ferrero-Waldner, EU Commissioner for External Relations, remarked in 2005 (at the time of the debate on the proposal to lift) that 'over the medium-term future, three major policy issues will dominate the political agenda in East Asia: (a) how to respond to the rise of China; (b) ensuring stability on the Korean peninsula; and (c) a peaceful resolution of tensions between China and Taiwan. The proper handling of all these issues will have major implications both for regional and wider security'.¹² With regard to the Korean issue, though the European Commission is a member of KEDO, the absence of the EU from the '6-Party Talks' is a serious hindrance to Europe's capacity to play its proper role. The other two issues are interconnected. The EU and its member states abide by the official 'one China' policy and hope for a peaceful resolution of cross-Straits relations.

The defence of Taiwan from an eventual attack from the mainland is the responsibility of the United States, who is committed to assisting the island under the Taiwan Relations Act, which also specifies the quality and quantity of weapons that the United States can export to Taipei. Any strain in cross-Straits relations could presage tensions between Washington and Beijing as

well as between Beijing and Tokyo (since American troops will come from Okinawa). This also raises the question of Sino–Japanese relations characterized by buoyant commercial relations and by political ‘coldness’. Notwithstanding signs of reconciliation and *rapprochement*, such as the ‘friendly’ visit of Wen Jiabao, the Chinese Prime Minister, to Japan in April 2007 and the historic agreement over the joint development of oil and gas fields in the East China Sea on 18 June 2008, Japanese policy makers continue to perceive China’s rise as both a formidable economic opportunity and, at the same time, the most ominous long-term strategic challenge to Japan’s role and place in the region. The same can be said with regard to Taiwan. Closer economic relations between the mainland and the island are not yet matched by political reconciliation. Notwithstanding the election of Ma Ying-jeou, President of Taiwan since March 2008, China maintains dozens of nuclear warheads pointed at the island. In such an environment, China’s economic rise and military modernization not only have immediate implications for cross-Straits relations and the strategic balance between Beijing and Taipei, but also between Beijing and Tokyo and between Beijing and Washington. By deciding to cooperate with China on space technology and satellite navigation and by proposing to lift the EU arms embargo on China, the EU and its member states would be perceived to enmesh (albeit unconsciously, to listen to the Europeans) into such a delicate strategic environment.

The immediate effect of the attempt to promote EU space and defence interests in China would be felt in the strategic balance across the Taiwan Strait. The term ‘strategic balance’ in cross-Straits relations refers to the relative capabilities of the two sides to achieve their respective strategic objectives in relation to the other. For China, this strategic objective is the reunification with Taiwan on China’s terms. Taiwan’s objectives are to maintain its political independence, freedom of action, and way of life, free from coercion or undue influence from China, and to gain acceptance as a member of the international community. The concept of a strategic balance encompasses but is broader than an assessment of the military capabilities between the two sides – though it is the current military balance that deters China to take over Taiwan. For some scholars, cross-Straits strategic balance also includes the impact of economic, social, and cultural ties between China and Taiwan on cross-Straits strategic dynamics; the influence of changing social developments on each side as they affect notions of self-identity, mutual identity, etc.; and the effect of international perspectives and involvement in cross-Straits affairs.¹³ Washington is the ultimate guarantor of this equilibrium and as such concerned if other players (in this case the EU) take initiatives which may have the potential to affect the delicate balance across the Taiwan Strait.

The key question of cross-Straits relations is related to Taiwan's future political status (unification with the mainland or *de jure* independence) and the means to arrive at this future political status. Over the years, scholars have questioned whether mainland China and Taiwan will be reunified according to Beijing's demands, whether the present situation will continue (with Taiwan functioning as a separate and independent society), or whether Taiwan will, in fact, attain *de jure* sovereignty. The above questions, taken together, constitute the Taiwan issue.¹⁴ The majority of scholars agree that the dispute over Taiwan has the potential to threaten China's stability. In the worst case, it would lead to a war between China and the United States, since Washington is committed to the defence of the island. Given the global implications of such a conflict, the Taiwan issue is, thus, not only a cause of concern for East Asian countries and the United States, but is also significant for the EU and its member states as instability would disrupt the business climate and affect European trade and investments in the area.¹⁵

Chinese leaders have made the realistic assessment that the goal of reunification is not achievable in the near future. However, Beijing would be willing to sacrifice the country's stability in order to avoid a declaration of independence from Taiwan. The mainland still asserts its right to use force against the island, as demonstrated in the passing of the Anti-Secession Law in March 2005. The problem is complicated by the fact that today the island does not need a proclamation of independence in the traditional sense, since Taiwan's former President Chen Shui-bian (2000–8) stated, on several occasions, that Taiwan already is a sovereign state. Beijing would likely respond with military action if the international community, led by the United States, were to acknowledge Taiwan's sovereignty or if the island would take steps to further consolidate its separate status in a way that China regards as irrevocable.¹⁶

Opinion polls show that the majority of Taiwanese are in favour of a continuation of the present situation, the maintenance of the status quo on the ground that Taiwan constitutes an independent society with its own political system, its own armed forces, and so forth. What sets the island apart from the sovereign states is recognition by the international community – and as a corollary, exclusion from international organizations where statehood is required. Most Taiwanese seem to be opposed to the prospect of reunification with Beijing as long as the one-party rule by the Chinese Communist party (CCP) continues. Taiwanese policy makers argue that unification cannot take place before the mainland is also democratically ruled. There seems to be a prerequisite put forward by some policy makers in Taipei (and apparently the majority of Taiwanese) namely that unification cannot take place before both societies on either side of the Taiwan Strait have similar political systems.¹⁷

In recent times, Taiwan and China have moved much closer to each other in terms of economic integration. From an economic point of view, the two societies are increasingly mutually dependent. At the political level, though, problems remain. The election of Ma Ying-jeou as President of Taiwan in March 2008 could presage improvement of relations across the Taiwan Strait. However, China maintains dozens of nuclear warheads pointed at Taiwan as the fate of the island is closely related both to national self-esteem and to the ability of the CCP regime to stay in power. Moreover, Beijing does not want to find itself in a situation in which a sovereign Taiwan could place its territory at the disposal of an enemy. Chinese leaders' foremost objective is thus to prevent any action by the political leadership of Taiwan that might make reunification impossible.¹⁸ A question where the United States plays a crucial role. According to the Taiwan Relations Act of 1979, the United States is committed to the defence of Taiwan. George W. Bush, former President of the United States (2000–8) and his successor, Barack Obama, have declared that the United States would defend Taiwan against an attack by mainland China. At the same time, Washington continues to maintain pressure on Taiwan for avoiding independent moves. For instance, in Autumn 2003, Taiwan's President Chen Shui-bian announced his intention to hold a referendum on a new constitution. Beijing interpreted this as a way of consolidating the island's independency and threatened Taiwan with military action. It was the intervention of Bush (under pressure from Taipei and the Taiwanese lobby in the US Congress) that eased the situation. The US President stated that Washington would oppose any unilateral action that might be interpreted as altering the status quo. As a result, Chen Shui-bian retreated and modified the wording in the referendum. Instead of being asked to take a stance on a new constitution, the electorate was asked about increasing the defence budget should China refuse to remove the missiles targeted at Taiwan.¹⁹

Any dispute across the Taiwan Strait, no matter how minor the cause, has the potential to develop into a major crisis. In this sense, the Taiwan issue is a global question which has the potential to disrupt regional stability. And it is in this context that Washington reacted strongly to the establishment of an EU–China techno-political linkage. China's participation in the Galileo satellite system (with the related issue of European advanced technology transfers) and the proposal to lift the arms embargo, in particular, have been opposed by the United States and its Asian allies for their potential to send a wrong message to Beijing and impact on the region's strategic balance at a moment when East Asia's major powers were overhauling their security assessments, engaged in the modernization of their armies, and Taiwan was putting pressure on the US Congress for passing one of the largest ever defence packages aimed at upgrading the island's defence systems.

During the debate on the proposal to lift, Condoleeza Rice, former US Secretary of State (2004–8), during her visit in the Asian region, stressed that the lifting could alter the military balance between China and Taiwan and this ‘would constitute a problem for the U.S.’.²⁰ The Ministry of Foreign Affairs of Taiwan issued a position paper on the arms embargo where it stated that the lifting would represent ‘support for China in its attempt to use force to undermine Taiwan’s sovereignty, security, and dignity’.²¹ At the same time, Japanese scholars and policy makers would argue that the lifting could embolden the Chinese regime and play into the hands of those who favour a military resolve against Taiwan. The Europeans were largely taken by surprise by these reactions as there was no intention, among the advocates of the lifting, to alter the military balance across the Taiwan Strait. One of the positive outcomes of the diplomatic wrangling which surrounded the Chinese arms embargo affair was to lead EU policy makers to reassess and overhaul their common foreign and security policy in East Asia and to make clear to the United States and to Europe’s main partners in Asia that the establishment of a techno-political linkage with the Chinese regime was not aimed at changing the position of the EU and its member states on the Taiwan question and cross-Strait relations. But what would be the EU’s official stance on these issues? And was there unity among EU member states and within EU institutions?

EUROPE’S POSITION ON TAIWAN AND CROSS-STRAIT RELATIONS

All European countries have established diplomatic relations with the PRC and, as a consequence, developed non-official relations with Taipei. Due to China’s insistence on the ‘one China’ policy, Europe–Taiwan ties are limited to the commercial, scientific, and cultural sphere. European countries have never been a party to the settlement of the Taiwan issue, with the exception of the United Kingdom which participated in the Cairo (1943) and Potsdam (1945) inter-allied conferences. On these occasions, London made it clear that Taiwan should be restored to China and that the Taiwan question was a Chinese internal affair.²² In March 1972, the United Kingdom issued a joint *communiqué* with the PRC. In it, London acknowledged the position of the Chinese government, that is, that Taiwan is a province of the PRC. Back in 1964, France had recognized Beijing unconditionally, as part of de Gaulle’s policy of ‘national independence’. It was generally admitted that with the recognition of the PRC, France had also acknowledged the sovereignty of

Beijing over Taiwan. On 27 September 1991, the French Ministry of Foreign Affairs clarified this point. In the *communiqué* issued on the sale of frigates to Taiwan, it was stated that 'France reaffirms the terms of the Franco-Chinese joint declaration of 1964 according to which the PRC government is the sole legal government of China'.²³

The European Community recognized the PRC in 1975, abiding from the beginning by Beijing's one China policy. Taiwan was denied membership to the EC's Generalized System of Preferences (GSP), as well as any other economic assistance from which all the other new industrialized Asian countries were benefiting. Since the beginning, EC/EU-Taiwan relations have remained confined to economic, scientific, and cultural issues. Unlike Japan and the United States which simply continued relations with Taiwan on a non-official level after normalization with Beijing, European countries have tended to develop strictly non-official ties. In the case of Japan, continuation of relations with Taiwan took the form of a non-governmental agreement signed in December 1972 (three months after severing diplomatic relations), while in the case of the United States it took the form of the Taiwan Relations Act passed by the US Congress on 10 April 1979.

Devoid of state content, from the end of the 1970s, Europe-Taiwan relations would focus on developing commercial relations, in light of the island's economic dynamism that offered growing opportunities for European companies. Over the years, a network of non-official representative offices would be set up both in Europe and in Taipei. During the 1970s and 1980s, the heterogeneous designations of these representative offices symbolized the unofficial, almost underground presence of Taiwan in Europe. Since the early 1990s, under the pressure of Taipei and European companies competing for key contracts in the emerging Taiwanese market, some EU members accepted changes of name in order to standardize the various designations and to upgrade the status of the offices. Thus, in Portugal, Spain, Austria, Norway, and Luxembourg the representative office became the 'Taipei Economic and Cultural Office', while in Germany, Italy, Belgium, the Netherlands, France, Denmark, Ireland, and the United Kingdom it became 'Taipei Representative Office', and in Sweden and Latvia 'Taipei Mission'. At the same time, EU governments began to establish offices in Taiwan, using various designations but carefully avoiding any hint that would suggest more than a trade, scientific, or cultural association.²⁴ Taiwan would be able to cash in on the attractiveness of its market for European companies. This would strengthen Taiwan's external relations as well as establish the island as an important Asian market for European businesses, in particular in the defence, nuclear, and transport sectors.

While European governments were unwilling to engage in any institutionalization of bilateral relations with Taiwan, arms sales to the island would nonetheless continue. In 1981, the Netherlands sold two submarines to the ROC. Beijing responded by downgrading relations with the Netherlands and by adopting commercial reprisals. In 1991, France sold sixteen La Fayette frigates to the Taiwanese navy (worth \$3.8 billion) and sixty Mirage 2000 fighter-interceptors the following year. In 1992, George Bush had authorized the sale of 150 American F16s for domestic purposes and to prevent the purchase of the French fighters. The American administration had also emphasized the strategic aspect of the deal, reaffirming the US's commitment to a peaceful settlement of the Taiwan issue. At the same time, Washington reminded Beijing that the United States had not only committed itself to reduce progressively arms sales to Taiwan, but also to maintain a qualitative advantage in favour of Taipei, which was currently diminishing due to recent acquisitions by the PLA.²⁵ In the case of French arms sales to Taiwan, however, concerns for cross-Straits military balance were largely absent. Driving the French deal were mainly commercial considerations. In 1993, the newly appointed government of Edouard Balladour authorized the sale to Taiwan of some armaments for the frigates again unleashing strong criticism from Chinese leaders. Beijing announced the closure of the French Consulate General in Guangzhou and barred French companies from bidding for the contract to build the subway system in the same city. These sanctions aimed not only at punishing France, but also at deterring further arms sales to the island by other European countries. As a result, Germany did not authorize the sale of submarines and frigates in 1993.

The United States has clearly defined its policy in this field both towards Taipei and Beijing. The amount of American weapons that can be shipped to Taiwan is specified by the Taiwan Relations Act of 10 April 1979 and the US–PRC joint *communiqué* of 17 August 1982. European governments, on the contrary, have continued to authorize arms sales to China and Taiwan without a clear political vision in sight. In March 1994, France sold to Taiwan \$2.6 billion more in advanced weaponry, including Exocet, Crotales and Mistral missiles, torpedos, anti-submarine sensors, and electronic warfare equipment. This time, following again the reaction of the Chinese authorities, the French government decided to invert this trend by publicly reaffirming China's 'sole and inalienable sovereignty over Taiwan'. The joint *communiqué* signed in Paris on 12 January 1994 on the eve of the thirtieth anniversary of the establishment of diplomatic relations between France and the PRC aimed to untangle the Sino–French crisis by declaring that 'the French government commit itself not to authorize French firms in the future to participate in the armament of Taiwan', while the Chinese side declared that 'French firms are

welcomed to compete, on an equal footing, on the Chinese market'.²⁶ In the end, France obtained the reassurance that the loss of the Taiwanese market would be compensated by increased opportunities in the mainland. Notwithstanding these declarations, French companies continued to sell sensitive items to the island. In December 1999, the sale to Taiwan of an observation satellite (RocSat-2) built by the defence company Matra (also involved in the Galileo project) infuriated Beijing. China put pressure on France to cancel the deal throughout 2000, insisting on the dual-use of the satellite, but it was unsuccessful. That event would be the last, as France in the last years has not sold Taiwan any important weapons system. French policy makers have, in fact, decided to concentrate on the Chinese market and carefully avoid any move that could upset Beijing.²⁷

France's close embrace with China during the Presidency of Jacques Chirac (some diplomats even spoke of 'intimacy') was accompanied by a change of position with regard to Taiwan. This shift in Beijing's favour was remarkable during the state visit by Hu Jintao, the Chinese President, to Paris in January 2004. On that occasion, Chirac stepped up his criticism of Taiwan's planned referendum on 20 March 2004 (which would ask voters whether Taiwan should increase its defences, if China refused to redeploy hundreds of missiles pointed at Taiwan), describing it as a threat to stability in East Asia. Following up on this, in April 2005, Jean-Pierre Raffarin, at that time French Prime Minister, declared that the Anti-Secession Law adopted in March 2005 by the Chinese National People's Congress was compatible with France's one China policy. The case of France, defined by Jean Pierre Cabestan as one of 'shop-keeper diplomacy',²⁸ reflects an attitude shared by other large EU member states in search of business opportunities in the Chinese market. There are, however, EU members which have been traditionally more sensitive to Taiwan, such as Sweden and the Netherlands. They are some of the EU member states which have repeatedly condemned China's human rights record and opposed the proposal to lift the arms embargo.

While there has been a certain degree of inconsistency among EU members' relations with Taiwan, the European Commission has maintained solid and steady relations with the island in non-political areas, including exchanges in various economic and technical fields, science, education, and culture. On 10 March 2003, the European Commission inaugurated a permanent presence on the island through the opening of its European Economic and Trade Office (EETO). In line with the EU's one China policy, the EETO does not engage in relations of a diplomatic or political nature. The main purpose of EETO is the promotion of economic ties. Taiwan is the EU's largest trading partner in Asia, after China, Japan, and South Korea.²⁹ The European Commission has strongly supported Taiwan's accession to the WTO on 1 January 2002 as the

'Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu' (or simply 'Chinese Taipei'). The European Commission also holds annual consultations with Taiwan, alternately in Brussels and Taipei, which cover all relevant aspects of the relationship. With regard to cross-Straits relations, the official position of the EU is the one in support of a peaceful resolution of differences between the two sides. The EU maintains that any arrangement between Beijing and Taipei can only be achieved on a mutually acceptable basis, with reference also to the wishes of the Taiwanese population. The European Parliament has fully endorsed this position and has also taken, since the full democratization of Taiwan, political positions in favour of the island.

Through the adoption of resolutions, the European Parliament has come to openly support, on various occasions, Taiwan's democratic system over China's authoritarian regime. The fact that Taiwan has become a fully-fledged Western-style democracy is possibly the most important reason for the continuous support given by the EP to the island. When Taiwan launched its first political reform at the end of the 1980s with the lifting of martial law and the lifting of the ban on new political parties, some MEPs asked the Council of Foreign Ministers to develop political links with the 'Republic of China in Taiwan'.³⁰ At the height of the missile crisis during Taiwan's presidential election in 1996, the MEPs viewed Beijing's military exercise as a temptation of interference in Taiwan's process of political transformation, and expressed their support for the people of Taiwan in the face of Beijing's 'provocative behaviour' of trying to influence the outcome of the election.³¹ The EP considered the election of Chen Shui-bian in 2000, after more than fifty years of rule by the Kuomintang, as a landmark in the development of democracy on the island. In September 2002, the EP passed a resolution where the change of majority at the parliamentary level after the legislative elections in December 2001 was seen by the MEPs as a sign that Taiwan had established a fully-fledged democratic system, and as a result the EP invited the EU members to recognize the success story of Taiwan's democratization and its importance for other Asian countries.³² The MEPs asserted that the EU's adherence to the one China principle would be directly linked to its commitment to a peaceful resolution and that any arrangement between China and Taiwan should be achieved on a mutually acceptable basis and should take into account the will and approval of the people in Taiwan. The EP would also make reference to the arms build-up between China and Taiwan, urging both sides to de-escalate the arms race and inviting China to withdraw missiles in the coastal provinces across the Taiwan Strait.³³ The resolution was the indication of a significant pro-Taiwanese lobby in the EP.³⁴

Beijing reacted by warning the EP not to impede the development of China–EU relations and immediately cease its interference in China's internal affairs.³⁵ However, China's mild reaction was based on the fact that the EP has only symbolic powers in the making of the CFSP. Beijing has, in fact, focused its attention and energies on lobbying the European Commission and the individual (mainly the large) member states. Lobbying the EP has traditionally been the main objective of Taipei's diplomats in Brussels.³⁶

The EP has also expressed on various occasions its opposition to the lifting of the EU arms embargo on China. On 19 November 2003, the European Parliament passed a resolution with 572 votes against 72 asking the Council not to lift the embargo. On 11 March 2004, leaders of the four German political parties representing Germany in the European Parliament sent an open letter to Chancellor Schröder urging him to abandon his support for the lifting. Furthermore, in November 2005 the EP adopted the Brok's *Report on the Common Foreign and Security Policy* (431 votes in favour, 85 votes against, 31 abstentions). Among other issues, the report calls on the Council not to lift the arms embargo on China and insists once more on a binding EU code on arms exports. In the report, Taiwan is described as a 'model of democracy for the whole of China'.³⁷

Besides the principled resolutions of the European Parliament, in the absence of significant pressure from domestic constituencies or external allies, the EU and its member states are extremely cautious about taking positions that might provoke Beijing's sensibility. The EU's circumspection is compounded by the fact that all the EU member states recognize the PRC as representing the whole of China and that they tacitly or explicitly accept Beijing's claim that there is but one China of which Taiwan is a part. In the 2003 *China's EU Policy Paper*, the one China principle receives a fair amount of attention. Under the heading 'strictly abide by the one-China principle', Beijing stresses that:

The proper handling of the Taiwan question is essential for a steady growth of China EU relations. China appreciates EU and its members' commitment to the one China principle and hopes that the EU will continue to respect China's major concerns over the Taiwan question, guard against Taiwan authorities' attempt to create 'two Chinas' or 'one China, one Taiwan' and prudently handle Taiwan related issues.³⁸

The firm stance of the Chinese government on the Taiwanese issue does not leave the EU with much room for manoeuvring. Moreover, the maintenance of the status quo appears to be in the self-interest of the EU and its member states as it allows them to continue to exploit the economic opportunities both in Taiwan and in the mainland. However, in the last years China's rise

has come to overshadow the Taiwanese market. The island appears in fact to have become economically marginal for the EU and its member states when compared to China. Since 2004, China is the EU's second largest commercial partner, behind the United States. The lure of the Chinese market convinced EU policy makers, in particular the political leaderships of some of the large EU member states and high-ranking officials in the European Commission, to cooperate with Beijing on space and satellite navigation and to propose to lift the arms embargo. As mentioned earlier, these initiatives would be perceived by the United States and its Asian allies as something departing from the traditional stance of 'neutrality' by the EU on the Taiwan question and cross-Straits relations. An eventual lifting of the arms ban would be interpreted by the policy making elite in the United States, Japan, and Taiwan as a sign of alignment of the EU with Beijing's posture in cross-Straits relations. American, Japanese, and Taiwanese diplomats would also condemn the proposal to lift as 'irresponsible' as it could play in the hands of those elements within the Chinese regime in favour of a military resolve against Taiwan. EU effort to establish a techno-political linkage with China would thus come to be perceived as something with the potential to tilt the strategic and military balance across the Taiwan Strait in Beijing's favour. In a regional environment characterized by balance of power logic perceptions of China gaining military capabilities and strategic advantage over the neighbours could accelerate – according to the critics of the proposal to lift – a reassessment of defence strategies and security calculations among the region's major powers which would, in turn, impinge on the US's security alliance system and strategic interests in the area.

In the end, EU policy makers bowed to the concerns of (and threat of retaliation by) the United States. The perception was also widely shared that the transatlantic alliance had already suffered enough strains due to the US-led Iraq war. At the European Council in Brussels in June 2005, the proposal to lift was officially shelved. China and the EU agreed thereafter to establish a strategic dialogue to exchange views on East Asia, alongside similar dialogues set up by the EU with the United States and Japan. These initiatives signalled Europe's intention to take into consideration the United States and its Asian allies' perspectives about China's rise and regional security. It was also a return to Europe's traditional stance of neutrality vis-à-vis the Taiwan question and cross-Straits relations, as seen from East Asia. This European reorientation towards the position of the traditional American ally was embodied in the *Guidelines on the EU's Foreign and Security Policy in East Asia*.³⁹ Adopted by the Council of the EU in December 2007 (after being leaked to both the United States and China), the document put an end to those elements of the EU–China relationship perceived to be detrimental

to the US's role and responsibility in East Asia signalling that the United States was still firmly in command of major political decisions within the Western camp. By defining Japan and South Korea as 'natural political partners' of the EU in East Asia, the guidelines by the Council of the EU would also enter the debate, already underway in the US and Japan, as to whether the divide between democratic and autocratic regimes should become a defining feature of twenty-first century international relations.

This page intentionally left blank

Global Concert of Democracies?

One of the outcomes of the diplomatic wrangling around the proposal to lift the Chinese arms embargo and, more generally, of the establishment of an EU–China techno-political linkage was an increased awareness in Brussels and in the national capitals of the need to reassess and overhaul EU foreign and security policy in East Asia. The result was the *Guidelines on the EU's Foreign and Security Policy in East Asia*. Their elaboration began in Summer 2005, after official shelving of the proposal to lift the ban, and they would be officially adopted at the European Council in Brussels on 20 December 2007.¹ In the period between Summer 2005 and the end of 2007, the EU would gradually realign its foreign and security policy in China with that of the United States and its Asian allies. This move would find support in the growing negative perceptions of China among European public opinion that emerged after Summer 2005, in the aftermath of the so-called ‘bra-war’ and increasing uneasiness towards the situation of human rights in China and the Tibetan question. These dynamics would eventually lead EU policy makers to reconsider their image of a rising China, as well as to partake in the debate as to whether the EU should continue to engage Beijing across the board, or whether the Europeans should start considering some forms of containment along with the American ally.

BACK TO TRANSATLANTIC TIES

The *Guidelines on the EU's Foreign and Security Policy in East Asia* open with the recognition of East Asia as a region of especially dynamic change in which the EU has substantial interests. Taken together, mainland China (including the Chinese Special Administrative Regions of Hong Kong and Macau), Taiwan, Japan, ASEAN, and Korea account for more than a quarter of the EU's global trade (based on 2006 data).² Two-way investments are also significant and East Asia ‘offers substantial and rapidly expanding market opportunities for EU firms.’ It follows that – as it was in the 2001 document by

the European Commission – ‘East Asian security and stability is a precondition for the region’s continued economic success.’³ There is explicit mention to the region’s strategic balance which is ‘shifting’ due to China’s economic rise and active diplomacy. According to the document, the EU has a stake in good cooperative relations between the region’s major powers (United States, China, and Japan) adding that:

The US’s security commitments to Japan, the Republic of Korea and Taiwan and the associated presence of US forces in the region give the US a distinct perspective on the region’s security challenges. It is important that the EU is sensitive to this. Given the great importance of transatlantic relations, the EU has a strong interest in partnership and cooperation with the US on the Foreign and Security policy challenges arising from East Asia.⁴

It appears here that the EU and its member states have decided to align themselves with the US positions, leaving behind initiatives (such as the proposal to lift the EU arms ban on China) that would impinge on the strategic interests of the American ally in the region. In the document, the Council of the EU went on to assert that ‘Japan and the Republic of Korea are natural political partners in Asia’ being as they were ‘like-minded in many ways’.⁵ It follows that ‘for the foreseeable future an essential element in the security architecture of the region is provided by the US’s network of bilateral alliances and its associated military presence’.⁶ Reminiscent of the diplomatic wrangling around the Chinese arms embargo issue, the document stresses that:

The EU should also, in consultation with all partners, deepen its understanding of the military balance affecting the cross strait situation; of the technologies and capabilities which, if transferred to the region, could disturb that balance; of the related risks to stability including the risk of miscalculation; and factor that assessment into the way that Member States apply the Code of Conduct in relation to their exports to the region of strategic and military items.⁷

Overall, the document appears to put a seal on any EU autonomous initiative vis-à-vis China on security and strategic matters that could be perceived by the American ally and its Asian partners, as detrimental for the region’s strategic balance. The clear indication of Japan and South Korea as ‘natural political partners’ also seems to suggest a willingness to sideline with the advocates in the United States and Japan of a league – or concert – of democracies as a way to promote the global security interests of the United States and its main liberal–democratic allies. In this sense, the EU would appear to espouse for the first time since the inception of its policy of constructive engagement, some elements of containment vis-à-vis China which have been characteristics

of the China policy of the United States. In particular, the neo-conservative agenda of the Bush presidency was characterized by a drive for exporting democracy and American values around the world. The proponents of this neo-conservative form of idealism would borrow from the liberals the strong belief in the pacifying effects of democracy, and from constructivists the assumption that ideas are what matter in world politics. For them, the policy of constructive engagement with China adopted by the EU and its member states since the mid-1990s would appear too pragmatic and/or realist at best, and cynical at worst as it would include fields of policy with security and strategic implications, and not fully conform to the desire of the United States to bring about a regime change.

It is a major tenet of the liberal argument that the internal arrangement has important effects on a state's foreign policy and that democracies would hardly fight each other.⁸ US neo-conservatives (but not only them) would bring back to centre stage the view that a democratic China would pose less security challenges to American strategic interests in East Asia. As such, the Bush administration would commit itself to sponsoring security accords with democratic regimes in Asia in order to contain a perceived challenge to US national interest coming from autocratic countries, but without openly targeting China for fear of alienating the indispensable Chinese market and risking jeopardizing US alliance systems in the region, given that most of the US Asian allies are increasingly interdependent with the Chinese economy. An attempt to apply the autocratic/democratic divide to the realities of East Asia's international system would inevitably be perceived in Beijing as a way to contain (and balance against) those countries such as China which are not yet fully democratic – in the Western sense.

TOWARD A LEAGUE OF DEMOCRACIES?

The advocates of a league of democracies would maintain that such a concert 'would signal a commitment to the democratic idea, and... become a means of pooling the resources of democratic nations to address a number of issues... If successful, it could help bestow legitimacy on actions that democratic nations deem necessary but autocratic nations refuse to countenance'.⁹ The advocates of a league of democracies would propose a foreign policy for the United States and its liberal-democratic allies organized around the assumption that great power rivalry and the autocratic-democratic divide will dominate global politics in the coming years. The result could well be a policy of confrontation and containment vis-à-vis authoritarian regimes such

as China (and Russia). Liberal internationalist scholars would oppose this vision on the grounds that were such a strategy to be implemented, it 'would be a recipe for retreat and would risk creating a self-fulfilling prophecy'.¹⁰ They argue instead that 'a successful foreign policy should also seek to integrate, rather than exclude, autocratic and rising great powers'.¹¹ The autocratic–democratic divide is particularly pressing in East Asia, as growing economic integration is not matched by a similar trend in the political realm.

There is growing interdependence among the economies of the Far East, and plans are underway for the establishment of an East Asian trade zone modelled on the EU. Yet, from a security perspective, the region includes some of the world's most serious flashpoints, particularly among China, Taiwan, Japan, and the divided Korean peninsula, despite their high degree of economic interdependence. Although they are the major powers in the area, Japan's imperial record and fears about a return to a Chinese-imposed hierarchical Sino-centric order render Japan and China unpalatable as leaders in the construction of a new sense of regional identity. The region also lacks both shared political institutions and a multilateral security architecture. This leaves the United States as the guarantor of order, its influence having been established through a series of Cold War bilateral alliances.¹² In this evolving landscape, China's economic rise is providing great opportunities for the neighbouring countries and the United States. At the same time, Beijing's defence modernization is altering the security perceptions in the region. The United States and its Asian allies (in particular Japan) are reassessing their threat perceptions and overhauling, to varying degrees, their defence strategies in order to balance China's new capabilities.

According to analysts, China is home to the largest military–industrial complex in Asia and one of the few countries in the world to produce a full range of military equipment, from small arms to armoured vehicles, from fighter aircraft to warships and submarines, in addition to nuclear weapons and inter-continental ballistic missiles. In some military productions such as fighters and diesel–electric submarines, destroyers, long-range surface-to-air missile, and ballistic missile systems, China appears to have reached state-of-the-art qualitative levels.¹³ China's arms industry has greatly benefited from a huge rise in Chinese defence spending from \$11 billion in 1998 to \$58.8 billion a decade later (2008) – nearly fivefold. China's official 2008 budget of ca. \$59 billion constitutes, for instance, a 17.6 per cent increase over the previous year. As a sign of its growing capabilities and self-sufficiency in arms production, Beijing has reduced arms purchases from Russia in the last years.¹⁴

Notwithstanding increasing defence budgets, China's regional foreign and security diplomacy appears to be dominated by a desire to ensure a peaceful

environment in order to promote prosperity at home.¹⁵ According to Bates Gill, Director of the Stockholm International Peace Research Institute (SIPRI), Beijing seeks three things: (a) overall external stability in order to focus its attention on economic growth; (b) to allay the fears of neighbouring countries that China's rise poses a threat; and (c) to cautiously limit US influence in international relations without entering into a conflict or overt rivalry.¹⁶ With regard to security in East Asia, Gill underlines that Chinese leaders give top priority to regional stability and that they are very active in several initiatives towards multilateral security mechanisms. China promotes, in fact, a multilateral approach towards the dispute over the islands in the South China Sea and to US–North Korea nuclear tensions. Beijing also plays an active role in the ASEAN Regional Forum (ARF) and the East Asia Summit. While the US influence – and military deployment – in the region is a major concern to China, the leadership in Beijing prefers to leave US strategic interests largely untouched, at least for the time being, rather than enter into intensive military competition. According to Gill, two factors stand in the way of Beijing fully endorsing a comprehensive multilateral security organization for the East Asian region. The first is the insistence by Chinese leaders (backed by nationalistic sentiments across the population) that the relationship between the PRC and Taiwan is a domestic issue in which other countries should not interfere, signalling in this way that the most pressing security flashpoint in the region cannot be addressed at the multilateral level. Secondly, there is the military alliance between the United States and Japan which is seen by Beijing as a way to limit China's upsurge and influence in the region. The alliance, while preventing Tokyo from operating as an independent party, also provides the Japanese government with powerful military backing.

Faced with the prospect of a rising China, in Spring 2005 the United States and Japan renewed their security alliance. This happened during the debate in Europe as to whether or not to lift the Chinese arms embargo. In October 2005, Tokyo and Washington jointly assented to long-pending changes in bilateral security collaboration which would take place over the following years. The Japan–US Security Consultative Committee outlined fifteen areas of defence cooperation and seven measures designed to enhance policy and operational coordination. The move reflected a growing anxiety about China's increasing military capability and clearly signalled that Japan had decided to adopt a more assertive stance towards Beijing. The new agreement would allow Tokyo to further extend its military cooperation with Washington, which is currently inhibited by Japan's pacifist constitution. It would also increase pressure for a revision of the war-renouncing Article 9 of the Constitution. After having transformed the Japanese Defence Agency into a

full Ministry of Defence with a cabinet minister, the next step is likely to involve changes in the current limited status of Japan's Self-Defence Forces (SDF), converting them into full-fledged military forces.¹⁷

In November 2006, Taro Aso, at that time Japanese Minister for Foreign Affairs (2005–7), delivered a speech on the need for Japan's diplomacy to build an 'arc of freedom and prosperity' in Eurasia. The aim would be to strengthen ties with those countries that share common values such as freedom, democracy, respect for human rights, market economy, and the rule of law – values that are not fully shared by China. At that time, many analysts read the speech as a move to counter China's rising regional posture and geopolitical reach. Although the speech was criticized both abroad and within Japan, it also addressed concerns regarding China's rise that were shared by other conservative policy makers in the region and in the United States. In a practical move, the initial elements of this 'arc' would be laid down on 13 March 2007 in Tokyo, when the Australian Prime Minister John Howard signed a joint security declaration with Japan, involving provisions for regular meetings between the two sides' foreign and defence ministries ('2 + 2') and joint military exercises, similar to those each country already has with the United States. This is Japan's second bilateral security accord after the one with the United States, dating back to the post-war period. Tokyo and Canberra are Washington's closest allies in the region. The Japan–Australia security declaration was finalized shortly after Dick Cheney, the US Vice President, visited Tokyo and Canberra in late February 2007. The intention was to underline the strategic importance that the United States attaches to enhanced relations with Japan and Australia, as well as to support their security agreement which, according to both sides, is not directed against China or any other country. This is quite understandable, as Beijing has become the most important regional commercial partner for both Tokyo and Canberra. However, Chinese leaders may have reasons to be suspicious of the Australian–Japanese security-military *rapprochement* sponsored by the United States.

Back in March 2006, Japan, Australia, and the United States had inaugurated a three-way security dialogue of foreign ministers with the intention of also including India in this security dialogue. Japan and India forged a strategic global partnership in December 2006, which included boosting bilateral defence and military exchanges. In the previous year, the United States and India had signed a ten-year defence framework agreement which called for enhanced bilateral security cooperation. In August 2007, defence exchanges and manoeuvres involving the United States, Japan, Australia, India, and Singapore took place off the Strait of Malacca. In the same period, China and Russia (plus Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan)

undertook the Peace Mission 2007, first in Urumqi (the capital of Xinjiang, China) and later in the Urals region (Russia) deploying around 6,500–7,000 uniformed personnel (predominantly Chinese and Russian) and simulating a scenario of *de facto* military assistance among the participating armies. The concomitance of the two military exercises led some commentators to call for the emergence of ‘competing’ security blocs in Asia. Yet, the prospect for the emergence of any such NATO of the East which would institutionalize the idea of a league of democracies would eventually rest on the evolution of US–China relations.

US–CHINA RELATIONS

Most of IR scholars agree that the US–China relationship is one of the most important (if not the most important) relationships of the post-Cold War era. China’s ascendancy is reshaping Asia’s economic and political power relations in a context where the United States remains the security linchpin for Asia, while the US–Japan alliance serves as the cornerstone of the US security strategy in the region.¹⁸ According to Wang Jisi, ‘the general trend in Asia is conducive to China’s aspiration to integrate itself more extensively into the region and the world, and it would be difficult for the United States to reverse this direction’.¹⁹ US–China relations are key to the maintenance of regional stability. At the economic level there seems to be an implicit bargain with Beijing: Washington tolerates China’s surging exports to the United States and the resulting bilateral trade surplus for China (see Table 8.1), but China recycles its new wealth by helping to finance the US budget deficit.

By the end of 2008, China had accumulated a total of ca. \$2,000 billion in foreign reserves. Of those, around a quarter were invested in the US Treasury Bonds (\$535 billion) and another similar amount (ca. \$500 billion) invested in other US-government backed liabilities. Economically, China and the

Table 8.1. US China trade 2001–2007 (in billion US\$)

	2001	2002	2003	2004	2005	2006	2007
US export	19,3	22,1	28,4	34,7	41,8	55,2	65,2
US import	102,3	125,2	152,4	196,7	243,5	287,8	321,5
Trade balance	83,0	103,1	124,0	162,0	201,7	232,6	265,3

Source: US–China Business Council (<http://www.uschina.org/tradefacts/>).

United States are more and more interlocked. Together, they have been driving the world economy in the past few years. At the political level, though, things are different. The Bush administration would time and again state (like the Obama administration) that China's declared peaceful rise and harmonious development cannot be taken for granted, and that the lack of democratization and political liberalization in China could presage tensions in the future while the Taiwan issue continues to loom large on the US–China relations. While China is an important commercial partner of the United States, Beijing is neither a political partner nor a military ally of Washington.

There continues to be a raging debate in the United States as to what kind of policy should be better fit for the United States vis-à-vis a rising China. Henry Kissinger dubbed the US–China relationship as 'beset with ambiguity'.²⁰ In the 2006 *Quadrennial Defence Review Report* (QDRR) the US Department of Defense identified China as having 'the greatest potential to compete with the United States and file disruptive military technologies that could over time offset traditional U.S. military advantages absent U.S. counter strategies'.²¹ The Pentagon's perception of China as a military threat would, however, contrast with assessment by officials of the State Department or the Office of the National Intelligence. Robert Zoellick, former Deputy Secretary of State (2004–8), in a prominent speech, urged China 'to become a responsible stakeholder' in the international system.²² According to John D. Negroponte, former Director of National Intelligence (April 2005–December 2006) and former Deputy Secretary of State (2006–8), China must be seen rather as a challenge than as an enemy or military threat.²³

American scholars and policy makers can be divided, broadly speaking, into three different schools of thought. One side of this debate points to China's accumulation of military capacity, its emergent economic strength, and its nationalistic and adversarial postures on certain issues (in particular on the Taiwan question). As a consequence, they advocate a firm US policy of restricting the projection of such power. The scholars and policy makers in favour of a containment policy are to be mainly found in the Department of Defence, in some sectors of the intelligence community, and in the more conservative think tanks. To those arguing for such a policy of containment, lenient policies undertaken towards China would merely embolden the Chinese regime, further encourage nationalistic posturing within and abroad, and provide resources for additional arms development. Donald Rumsfeld, the former US Secretary of Defence (2001–6) brought the 'China threat' back into focus by declaring, during the 'Shangri La Dialogue' in Singapore in June 2005, that China 'appears to be expanding its missile forces, allowing them to reach targets in many areas of the world, not just the Pacific region. China also is improving its ability to project power, and developing advanced systems of

military technology... Since no nation threatens China' – Rumsfeld asked – 'one must wonder: Why this growing investment? Why these continuing robust deployments?'²⁴ Following up on Rumsfeld's remarks, the 2005 US Department of Defense Report on the *Military Power of the People's Republic of China* (MPPRC) published in October 2005 concluded that the modernization of the PLA had gone beyond preparing for a Taiwan scenario and was likely to threaten third parties operating in the area, including the United States.²⁵ In January 2007, the then Director of National Intelligence, John D. Negroponte testified to the US Congress that China's modernization was driven by aspirations towards great power status and that such trend would continue even if the Taiwan problem was resolved.

In the 2007 report to Congress on the *Military Power of the People's Republic of China*, the Pentagon concluded that:

The outside world has limited knowledge of the motivations, decision making, and key capabilities supporting China's military modernization. Actual Chinese defense expenditures remain far above officially disclosed figures. This lack of transparency in China's military affairs will naturally and understandably prompt international responses that hedge against the unknown.²⁶

The 2008 report on the *Military Power of the People's Republic of China* (MPPRC) would further stress that:

The People's Liberation Army (PLA) is pursuing comprehensive transformation from a mass army designed for protracted wars of attrition on its territory to one capable of fighting and winning shortduration, high intensity conflicts along its periphery against high tech adversaries... China's expanding and improving military capabilities are changing East Asian military balances; improvements in China's strategic capabilities have implications beyond the Asia Pacific region.²⁷

The Pentagon and some sectors of the US intelligence community are usually the ones producing the gloomiest reports on China as a threat for US national security. On the other side of the spectrum, there are those who favour an engagement policy vis-à-vis China. The advocates of engagement argue that China still lags behind the United States in terms of military spending and defence modernization (see Table 8.2), it is still handicapped by some relatively primitive military hardware based on Soviet technology in various fields, and that in any case the PLA has never waged a major war in the last years (contrary to the United States).

The advocates of the engagement policy would also argue that China is facing so many internal challenges that the Chinese leadership needs a stable and peaceful international environment in order to focus on domestic issues.

Table 8.2. Great powers' military spending, 2007 (in billion US\$)

Country	Center for Arms Control and Non Proliferation	SIPRI	World share % (Center for Arms Control)	World share % (SIPRI)
United States	711*	547	48.3	45
Europe (total)	289	n/a	20.0	n/a
China	122	58.3	8.3	5
Russia	70	35.4	4.8	3
Japan	41	43.6	2.8	4

*The figure for the United States (based on 2008 data) includes the budget request for Fiscal Year 2009 and the \$170 billion for ongoing military operations in Iraq and Afghanistan, as well as funding for the Department of Energy's nuclear weapons activities.

Sources: Elaboration data from: *U.S. Military Spending vs. the World*, Center for Arms Control and Non-Proliferation, Washington, 22 February, 2008; Military Expenditure Database, Stockholm International Peace Research Institute (SIPRI), <http://www.sipri.org/>.

Among the problems that are presenting a challenge to the current Chinese leadership are the role of the CCP, ethnic conflicts, the social costs of the reform of the ailing State-Owned Enterprises (SOEs), unemployment, inflation, the growing gap between rich and poor and between the coastal areas and the interior, migration due to inequalities in regional development or to environmental degradation, and so forth. For the advocates of the engagement, these problems suggest the need for cooperation with China and a firm policy of engagement from the advanced nations. Traditionally, members of this approach are found in the Department of State and the Bureau of the US Trade Representative, as well as within the more liberal think tanks.

Over the years, the China policy of the United States has been guided by a mix of containment and engagement (so-called conengagement). For the majority of scholars and policy makers there could be no question of not engaging with China and supporting China's new regional diplomacy, but there is equally no good reason for pandering to China and being less critical to its authoritarian regime. As Aaron Friedberg pointed out, many realists are actually optimistic about the future of US-China relations in the face of China's rise and disagree with others about the likelihood – let alone the inevitability – of military conflict accompanying this rise.²⁸ Realist scholars have also argued that the nuclear revolution and geography make territorial conquest more difficult in East Asia. Given these realpolitik forces for stability, the real threats to regional peace and stability are posed not by shifts in relative material power alone, but by those shifts combined with mutual perceptions of hostility that are rooted in historical conflicts, outstanding territorial sovereignty disputes, and so forth.²⁹

Thomas Christensen, scholar and former Deputy Assistant Secretary of State for East Asian and Pacific Affairs (2006–8) in an article in *International Security* in 2006 maintained that whether one views the Asia policy of the United States since the end of the Cold War as a success or a failure depends heavily on the ‘theoretical lens with which one views the challenges posed by the rise of the People’s Republic of China’.³⁰ In the article, Christensen advocated in favour of a moderate US strategy towards China and the region that would mix elements of containment and engagement. In such a strategy a firm security posture towards China would not only hedge against a potential turn for the worse in Chinese domestic politics and foreign policy, but it would also help shape long-term Chinese political and diplomatic evolution in directions that reduce the likelihood of unwanted conflicts and tensions in US–China relations. At the same time, argues Christensen, positive US diplomatic and economic initiatives towards China would not only build trust and reassurance in the region, but would also maximize the US leverage over the region in case of future US–China tensions.³¹ The American scholar appears to be advocating a combination of the stick and the carrot: a firm security posture – especially with regard to any unilateral move by China to take Taiwan by force – but at the same time behaving in a constructive way towards Asia and China, since if it appears that the United States is provocative towards Beijing, it might force regional actors to make a stark and unwelcome choice between Beijing and Washington, with the risk of jeopardizing US policy in the region. This approach would make it difficult for the United States to sustain a league of democracies in Asia to contain authoritarian regimes such as China. Moreover, there appears to be divergent opinions among the allies of the US as to whether China’s rise poses a threat and to what extent.

OF DIFFERENCES AND COMMONALITIES

There are a number of similarities, but also differences, among major liberal–democratic countries in their dealing with a rising China. With regard to the similarities, the United States, the EU, and Japan share the commitment to see China integrated in international society and become a responsible stakeholder in the global system. All would like China to be a status quo rather than a revisionist power, and believe that by enmeshing Beijing in international institutions they may help ensure this outcome by supporting China’s socialization and acceptance of international norms of behaviour.

The EU, the United States, and Japan are committed to binding China into international organizations and promote the respect of human rights and fundamental freedoms in China, though the strategies implemented in the last decade have been different. While Washington has tended towards public diplomacy and the tabling of resolutions on China at the UN Human Rights Commission in Geneva, the EU and its member states (mainly through the European Commission) and the various Japanese governments have preferred private diplomacy and focus on single cases. Public diplomacy would be reserved to encouraging China's ratification of, and adherence to, UN human rights covenants. Finally, the liberal-democratic powers have significant stakes in the promotion of good governance and the rule of law in China, in helping the smooth functioning of a market economy, creating legal safeguards against arbitrary decisions and, more generally, supporting China's integration in the international community and contributing to the country's transformation into an open society.

Notwithstanding the aforementioned commonalities, there are also differences when it comes to the way the EU, the United States and Japan perceive a rising China. American and Japanese policy makers are worried about China's growing military spending and power projection in East Asia. American think tanks such as the RAND Corporation have put forward scenarios of China becoming a peer strategic competitor of the United States and seriously challenging Washington's dominant position in the region. In certain conservative quarters of the policy-making elite in Washington, China is perceived as the greatest threat to American primacy in world affairs.³³ Likewise, some conservative forces in Japan increasingly view Beijing as the most ominous long-term strategic challenge to Tokyo's role and place in the region.

Contrary to Sino-American and Sino-Japanese relations, EU-China ties have improved steadily across the board (to include a security-strategic dimension) until Summer 2005, and Europeans have not bought into the China's threatened discourse coming from Washington (and Tokyo as well). In the last years there has, indeed, emerged a 'Chinese economic challenge' in some EU member states. The perception is that China has been invading European markets with cheap products and taking away jobs in the manufacturing sectors. Moreover, Beijing's active industrial policy is turning the country into a low-cost competitor in high-skill industries. The rapid growth of skill-intensive imports from China represents a serious challenge for certain European industrial sectors that are considered sensitive. Yet, the domestic politicization of China, and the consequent linkage between commercial and political issues, has remained significantly less marked in the EU than in the United States.

Since the mid-1990s, the EU and its member states have firmly adhered to the arguments in favour of engagement at all levels and across all dimensions.

The overriding objective of the EU's China policy in the last decade has been to promote the fullest possible Chinese involvement in the international arena, whether in the economic, social, political, or security-strategic dimensions. This objective has been based on the understanding that in a situation of growing interdependence, the developments in China not only have a far-reaching impact on itself, but also have global and regional implications. As a result, the EU has traditionally believed that widespread engagement would be conducive to supporting China's integration in the international community and its transition to an open society. It was along these lines that the EU invited China to play a prominent role in the development of the Galileo satellite system and some large EU member states put forward the proposal to lift the arms embargo. The overall intention here was to build trust with China by extending to the security-strategic dimension the policy of constructive engagement which has characterized the EU's China policy since the mid-1990s.

A firm EU engagement policy towards China is greatly helped by the fact that, unlike the United States and Japan, the EU does not have immediate strategic interests in East Asia, nor is there a Taiwan question that could trouble relations (as in US-China relations) or competition for regional resources and leadership (as in Japan-China relations). In a context of complete absence of issues that could provoke a conflict between the two sides, the EU and some of its (large) member states have been able to press ahead a techno-political linkage with Beijing. This is probably the most striking difference between Europe's China policy on the one hand, and the United States and Japan on the other.

As discussed earlier, opposition by the United States and its Asian allies to the more security and strategic-related aspects of EU-China relations showed profound differences in the connections made by the EU on the one hand, and the United States, Japan, and Taiwan on the other. Washington, Tokyo, and Taipei would consider China's participation in the Galileo project (with the related issue of European advanced technology transfers) and the proposal to lift the EU arms embargo on China as powerful initiatives and political messages which could (if adopted, in the case of the lifting) tilt East Asia's strategic balance in Beijing's favour and affect American and Japanese strategic interests in the area. The upgrading of Sino-European relations with the inclusion of a techno-political linkage was therefore perceived as having a direct impact on their national security, in Washington as well as in Tokyo and Taipei. Some US (and Japanese) policy makers would openly accuse the Europeans of irresponsibility and lack of political vision. The strong reaction of the United States and its Asian allies – coupled with growing uneasiness within Europe – would eventually lead EU policy makers

to reassess their foreign and security policy in East Asia. The result was the adoption in December 2007 of a set of policy guidelines in which EU policy makers would begin to make connections similar in nature to those made by the United States and its Asian allies with regard to China's rise and the region's strategic balance.

The timing of the adoption of the policy guidelines would coincide with debates underway in the United States and Japan (but also in Australia, for instance) as to what extent to continue to engage China and/or whether to enforce a containment strategy based on the democracy/autocratic divide. A debate reminiscent of the one that occurred in the first part of the 1990s at the time of the publication of the first policy paper on China by the European Commission which would eventually unleash the policy of constructive engagement. With the 2007 policy guidelines adopted by the EU member states (in the CFSP framework) it appears that the EU would be now ready to endorse some form of containment towards China. Such a change in attitude vis-à-vis Beijing and an overall reorientation on the position of the American ally would be accompanied (and supported) by the emergence of negative perceptions about China among European public opinion. Dynamics that will set in motion growing misperceptions, and misunderstandings, between the two sides.

Back to the Future

EU foreign and security policy towards China appears to have undergone a gradual realignment on the position of the United States and its Asian allies since the official shelving of the proposal to lift the arms ban in Summer 2005. This reorientation has been enshrined in two documents. The first is the *Guidelines on the EU's Foreign and Security Policy in East Asia* adopted by the Council of the EU in December 2007 and discussed in Chapter 8. It incorporates the views of the United States (and its Asian allies) on the Chinese arms embargo issue, and the connections made in Washington (as well as in Tokyo) between China's growing military spending and East Asia's strategic balance. The second document, which will be discussed here, is the public procurement tender information package for the second phase of the Galileo system (manufacturing, services, and launch of the remaining twenty-six satellites) published by the European Space Agency (ESA) in July 2008. The document excludes China from the procurement of the second phase of Galileo. With these two documents, the EU and its member states would put a temporary seal to the EU–China technopolitical linkage initiated in Autumn 2003. Such a policy readjustment would be accompanied (and caused) by changes in the political leadership in some of the large EU member states (particularly Germany and France), the formation of a new (and more pro-American) European Commission headed by Manuel Barroso, and the accession to the EU of the more Atlanticist Central and Eastern European countries. These developments largely contributed to re-evaluating priorities in EU–China relations. Along with the changes at the top political level, there has also been the emergence of 'negative' perceptions about China among European public opinions. As a result of these dynamics, Sino–European relations would evolve, as David Shambaugh and Gudrun Wacker put it, from the romantic 'honeymoon' of the period 2003–5 into a more mature (and more complex) 'marriage', while also realigning US and EU perspectives and policies on China.¹

CHANGING MOOD

In 2006, the German Marshall Fund surveyed around 1,000 random participants in eighteen selected countries, asking whether they perceived China as a threat or as an opportunity. The first statement (threat) was formulated in the following way: 'The Chinese economy represents a threat because low-cost Chinese products compete with our country's products and our country's companies can relocate to China'. The second statement (opportunity) was: 'The Chinese economy represents an opportunity because we can sell more of our country's products in China, purchase low-cost Chinese goods, and our country's companies can invest in China'. The result of the survey in the four largest EU member states was the following (see Table 9.1):

This deterioration of European public perceptions vis-à-vis China would be shared by US participants to the survey. The large majority (59%) in the US viewed China as a threat, compared to 33% who regarded China as an opportunity.

One of the more visible signs of changing perceptions in – and attitudes to – Sino-European relations would be staged in the realm of values, with the Tibetan question providing a prominent showcase. During the visit by the Dalai Lama in Germany in September 2007, Angela Merkel, the German Chancellor, met with the spiritual leader of the Tibetan people enraging the Chinese government, which in turn prospected retaliation against German companies. Chancellor Merkel responded to the threat of an eventual commercial reprisal by saying that she would meet whoever she wanted. In March 2008, following the heavy-handed Chinese crackdown on riots erupted in Lhasa (Tibet), Hans-Gert Pöttering, the President of the European Parliament (EP), invited the Dalai Lama to address the EP and called for EU leaders to consider boycotting the opening ceremony of the Beijing Olympic Games in August 2008 in a sign of protest against the continued violation of human rights and fundamental freedom by the Chinese regime. Angela Merkel, along

Table 9.1. European perceptions of China (2006)

	China as an opportunity %	China as a threat %
United Kingdom	48	44
Germany	43	53
Italy	28	66
France	26	70

Source: German Marshall Fund, *Perspectives on Trade and Poverty Reduction: A Survey of Public Opinion*, p. 18.

with Gordon Brown, the British Prime Minister, Silvio Berlusconi, the Italian premier, and Donald Tusk, the Polish premier did not participate in the opening ceremony of the Olympic Games in Beijing on 8 August 2008. Nicolas Sarkozy, instead, as President of the European Council, decided to attend the ceremony. A few months later (October 2008), the European Parliament further infuriated Beijing by awarding the Sakharov Prize for Freedom of Thought to Mr. Hu Jia, a well-known dissident jailed because of his activities in denouncing the spread of HIV and AIDS in China, and in defence of freedom of expression. The meeting of Nicolas Sarkozy, President of France and also President of the European Council, with the Dalai Lama in December 2008 led the Chinese leaders to postpone the annual EU–China summit scheduled for 1–2 December 2008 in Lyon (France). The postponement was a sign of a growing disaffection with Europe’s stance on the Tibetan question, and closed a year marked by growing misperceptions and misunderstandings between China and the EU. While the question of values would enjoy prominent media coverage, another element of far-reaching consequences came to cool down Sino–European relations in Summer 2008.

PRAGMATIC RESTRAINT

On 1 July 2008, the European Space Agency (ESA) published the procurement criteria for the second phase of Galileo, that is, the manufacturing, services, and launch of the remaining twenty-six satellites of the European satellite system.² In the document, the tender would be limited to a select number of countries divided into two groups. In the first group – the inner circle with priority access to the procurement scheme – there are all the twenty-seven member states of the EU (as the procurement is entirely financed out of the European Community budget). In the second group – the outer circle – there are a number of countries which can participate in the tender if they are signatories of the plurilateral Agreement on Government Procurement (GPA) adopted in the framework of the WTO.³ More precisely, regarding the manufacturing part, the ESA’s document states that:

The manufacturing of goods included in any of the packages may be subcontracted to natural and legal persons established in one of the Member States of the European Union or the States which are parties to:

the Agreement on Government Procurement (GPA), namely Canada, Hong Kong, Iceland, Israel, Japan, Korea, Liechtenstein, the Netherlands with respect to Aruba, Norway, Singapore, Switzerland, United States of America;

the Agreement on the European Economic Area (EEA), namely Iceland, Liechtenstein and Norway;
other bilateral agreements on public procurements, namely Switzerland, Chile, and Mexico.⁴

Regarding the services, the document points out that:

the provision of services may be subcontracted to natural persons or legal persons established in one of the Member States of the European Union or one of the States that are parties to the Agreement on the European Economic Area (EEA), under the conditions laid down in these agreements.⁵

China, until that moment the most important non-EU partner in Galileo, would be kept out of the second phase of public procurement, since Beijing is not a party to the GPA. In fact, China does not appear on any of the lists published in the ESA's tender information package. However, a thin exit way would be included, which could pave the way for a 'political readjustment' of Sino-European cooperation in Galileo:

In exceptional circumstances related to the nature and the availability of specific goods or services... ESA may authorize the use of subcontractors established outside the territory of one of the Member States of the European Union or of a state that is a party to one of the above mentioned agreements.⁶

After all, the EU and China would assert on various occasions that both the final content and the mechanism of their satellite navigation cooperation would remain open and go through eventual 'readjustments', following the trend of political relations between the two sides.⁷ Notwithstanding the readjustment stint, the publication of ESA public procurement scheme for the second phase of the Galileo system was a slap in the face to China, which had always regarded space and satellite navigation cooperation with the EU as a model for Beijing's international cooperation in big S&T projects. What could explain the decision by the EU to exclude China from the second phase of procurement and put it into question the future prospect of the biggest joint project ever in high S&T between the EU and China? Three main reasons seem to provide an explanation:

- (i) The question of technology transfers and Intellectual Property Rights (IPR) enforcement;
- (ii) Perceived challenge to Galileo coming from the Beidou, the Chinese satellite navigation system, along with the question of the use of the same frequencies;
- (iii) US pressures on the European allies following China's ASAT test of January 2007.

The first question is a long-standing one in Sino–European relations, and is related to the growing preoccupations of a Chinese high-tech challenge to Europe discussed in Chapter 3. The Europeans appear to be more and more wary of a lack of significant progress in China's legislation, and actions, towards enforcement of the IPR and increasingly preoccupied that the Chinese would use European advanced space technology to develop their own satellite system and challenge Galileo itself. This is related to the second point, where behind the technical problems lies a possible competition between Galileo and China's own Global Satellite Navigation System (GNSS). The latter – Beidou (which stands for the Big Dipper constellation) was kicked off in 2001 with the launch of the first satellite. It is now expected to be completed (as Beidou 2 – or 'Compass') with thirty satellites before 2015, with ten or more new Compass satellites scheduled to be launched in the period 2009–11. Beidou is China's own strategic project planned to perform very much like the American GPS and the Russian GLONASS, and be operational well ahead of the EU-led Galileo system. Like the American GPS, the Beidou is not open to the outside world (unlike Galileo), and is controlled by the military as it is intended to be used for national security reasons. The Chinese GNSS is driven by the same motives as the other (competing) satellite systems: sovereign control over critical infrastructure, security purposes, industrial policy and manufacturing, and global competitiveness and markets. It also stands as a powerful symbol of great power status, something to which Chinese leaders (and the population as well) are very sensitive.

Plans for a Chinese GNSS were unveiled in September 2007, when the Chinese government announced its intention to convert its previous regional system made up of various Compass geo-stationary orbit satellites into a fully-fledged global navigation satellite system. At the same time, Beijing would continue to work (as the most important non-EU partner) on the Galileo project, raising doubts and concerns in Europe.

Back in 2000–1, EU and Chinese diplomats would fight together at the International Telecommunication Union (ITU) in Geneva to obtain the frequencies for Galileo. However, while the Galileo project was slowed down in Europe due to problems encountered by the private–public partnership, the Chinese continued to work on research, manufacturing, and service applications for Galileo in China, as well as on their own system. Since 2006–7, there seems to have been a signal overlap between the two projects (Galileo and the Beidou), in particular between the Galileo Public Regulated Service (PRS) and some Beidou frequencies, in a situation where the Chinese system appears to be in a more advanced phase of development than Galileo with at least seven–eight satellites in orbit against only two for Galileo (by the

end of 2008).⁸ While US and EU policy makers (and technicians) have met several times to discuss the inter-operability and frequency compatibility between their two systems following the transatlantic summit in Ireland in June 2004, EU and Chinese officials have not yet resolved their outstanding issues, including the question of signal compatibility discussed at the bilateral technical working group in December 2008. As a result, policy makers on the two sides are currently reviewing their collaboration in light of the recent changes in their respective GNSS policies and programmes.

Since Summer 2008, a major political readjustment in EU–China space and satellite navigation cooperation seems to be, thus, underway. The issue is particularly pressing for the Europeans. Cooperation with China was intended, back in Autumn 2003, as a way to challenge US primacy in the aerospace sector. At the time, the EU was expecting to continue to stay ahead of China in the development of space-based, satellite navigation technology and capabilities. As discussed earlier, things would turn out differently, due to the slow progress made by the Europeans, and paralleled by Chinese significant advances. Moreover, the US factor intervened. As the United States was opposing EU–China cooperation in strategic and security-related fields of policy such as space and satellite navigation, EU policy makers were convinced to scale back their level of involvement with China. The latter, expecting more out of the cooperation with the Europeans in terms of technical know-how, system management, technology transfer, as well as market and signal access, would eventually press forward the development of its own satellite system (which was already planned, in any case). The result would be a Chinese GNSS (the Beidou) which is expected to be fully operational in the Asian region by 2010–11 and by 2015, it could well have a global reach and not only challenge the American GPS, but also, once operational, Galileo itself. The challenge is not only commercial. Since the Beidou satellite system is marketed for national security uses, it would also provide the People's Liberation Army (PLA) with additional means to boost its military space capabilities. In this vein, the challenge to Galileo provided by the development of China's own satellite navigation system would conjure up the perception, and evaluation, given to the ASAT test of January 2007 and Beijing's advances of its military space programme. The Chinese ASAT test would be followed, in fact, by further pressure from US policy makers to their EU counterparts in order to limit their space cooperation with China.

There are indications that the ASAT test led China's international partners, including the EU, involved in cooperation programmes on space technology and global navigation satellite system that have obvious dual use applications, to reconsider the level of their cooperation. The ASAT test reinforced, the

concern that international cooperation is furthering China's development of advanced space weaponry. As discussed in Chapter 5, Chinese strategists are aware of the critical damage that could be potentially wrought upon the United States if an adversary is able to deny Washington use of its space assets during a conflict. For instance, the capability to put out-of-use US satellites and other communications or command and control systems that are space-based (not to mention the GPS for precision-guided munitions and tracking, reconnaissance satellites, and radar) would be vital to any prospect for Chinese success in a conflict over Taiwan – one of the most likely arenas which could bring the United States and China into direct confrontation. Proving the vulnerability of US satellites was the aim of China's ASAT test in January 2007, when the PLA destroyed an old Chinese weather satellite using an anti-satellite weapon. For US senior military planners, the Chinese ASAT test was a 'strategically dislocating' event, as significant as the Russian launch of Sputnik in 1957.⁹

The ASAT test also made a substantial impression on Beijing's neighbours such as Japan and South Korea, which had already begun the development of their own military space systems. In 2006, both countries launched new military reconnaissance satellites. The PLA saw both these burgeoning programmes as potentially aimed at increasing Seoul's and Tokyo's respective military space capabilities in the region. In the aftermath of China's ASAT test, both Japan and South Korea expressed concerns that their limited programmes could be directly threatened by China's growing capabilities, and accused Beijing of breaching international law, in particular the Outer Space Treaty.¹⁰ In a regional system characterized by balance of power logic and where the security dilemma is still prominent, China's test would inevitably affect East Asia's military space balance. It would also impinge on the United States' strategic interests in the area as Washington's allies felt threatened by what was perceived as an offensive military space programme by China.

Also the Europeans were preoccupied by the ASAT test and aired threats of backlash in space cooperation if China were to make further kinetic energy tests that would cause additional space debris and breach international law. The EU and its member states have always argued that their cooperation with China in Galileo and other space-based technologies is aimed at the civilian uses of the technology under consideration. The prospect of European technology being used for developing China's military space assets would be unwelcome in Europe. Yet, as discussed earlier, it is difficult to distinguish between the civilian and military programme in China, and suspicion of China's space technology breakthroughs, thanks to international collaboration and technology transfers with other advanced countries (in particular

Europe) run high among space analysts and experts. The ASAT test provided, therefore, a serious warning for Europeans regarding their civilian space cooperation with China. European parliaments and public opinions, let alone the governments more ready to use the 'China threat' discourse, would find themselves in a difficult position in allowing their domestic space industries to cooperate with a China that is pursuing a space weapons programme. It appears that, in the aftermath of the ASAT test, the EU would bow to pressures from the United States to keep in check China's space military advances.

Strategic considerations would thus concur with genuine concerns regarding technology transfers and the enforcement of the IPR in China, as well as a perceived challenge from the Beidou system in leading EU policy makers to put a (temporary) halt to EU–China space and satellite navigation cooperation, and lay the basis for a political readjustment of their collaboration. With the publication of the ESA document in July 2008, which excluded Chinese contractors from the second phase of procurement of Galileo, what remained of the techno-political linkage between the EU and China initiated in Autumn 2003 (and which attracted so much attention from the United States and its Asian allies) would begin to fade away. Sino–European relations would refocus back to traditional concerns related to economic and commercial issues and the future prospects of the relationship (but now devoid of the more strategic and security-related elements).

Back in September 2006, at the ninth EU–China Summit held in Helsinki (Finland), the EU and China had agreed on opening negotiations for a new comprehensive framework agreement that will include all dimensions of the relationship. At their tenth Summit in Beijing in November 2007, EU and China would establish a High Level Economic and Trade Dialogue (along the lines of the US–China Strategic Economic Dialogue) as well as agree to enhance cooperation on the environment and climate change. The first EU–China High Level Economic and Trade Dialogue Mechanism would take place in April 2008. Prominent topics included the yuan–euro exchange rate, trade issues, the question of intellectual property rights, technology transfers, business climate in China, and the MES status. The more political aspects of the relationship continue to be discussed in the framework of the EU–China human rights dialogue and the EU–China strategic dialogue. The latter would gradually broaden the issues under consideration to topics as varied as weapons proliferation and international terrorism, energy security, regional crises (Iran, North Korea), Africa, and more generally, global governance. The eleventh EU–China Summit scheduled to take place in Lyon (France) in December 2008 was postponed to spring 2009. This event would underlie the need for both sides of a thorough reassessment as well as a re-evaluation

of their common interests and strategic priorities for the years to come. Amid these twists and turns, Sino–European relations would come of age and become one of the most important relationships in world politics. It is now time to take a look back and summarize the main achievements and turning points of this relationship.

RISE AND FALL IN EU–CHINA RELATIONS

Since the mid-1990s, EU–China relations have developed at a dramatic pace across the board. The growth, both in quantity and quality of the relationship, in particular in the decade 1995–2005, would be greatly helped by the absence of conflicting issues between the two sides. As the *China's EU Policy Paper* published by the Chinese Ministry of Foreign Affairs in October 2003 stated: 'There is no fundamental conflict of interest between China and the EU and neither side poses a threat to the other'.¹¹ Since the onset, economic considerations would always occupy an important place in the relationship. The European Commission would declare in 2003 that economic exchanges are 'the basis for continuous development of Sino-European relations'.¹² Since 2004 (after EU enlargement), China has become the EU's second biggest trading partner and the EU is China's biggest trading partner. The surge in two-way trade would be accompanied by a growing number of European companies investing and relocating productions in China, which have increased the current stock of EU foreign direct investment (FDI) flowing towards Beijing. In recent times, investments would begin flowing also into the other direction as Chinese financial institutions and companies would acquire stakes of European industrial and financial assets.

Growing EU–China relations are also reflected at the institutional level. For instance, the Department of European Affairs in the Chinese Ministry of Foreign Affairs appears to have become the largest department in terms of number of officials (more than 150 at the end of 2008).¹³ A Chinese diplomatic mission to the EU was inaugurated in Brussels in 2006. On the European side, there are currently more than 100 professionals working on China in the European Commission, across the different directorate-generals.¹⁴ According to EU officials, China is the non-EU country that receives the most attention from Brussels – in terms of projects, cooperation agreements, issue specific dialogues, commissioners' visits, etc. The current relationship is underpinned by the budding cooperation between the EU level (i.e. the European Commission) and the Chinese government on a

significant number of sectoral dialogues and technical issues, ranging from food safety to enterprise regulation, from environmental issues to education and the information society. EU member states are also devoting more and more time, energy, and resources to developing relations with China in all fields and at all levels. China is one of the countries visited most frequently by European heads of state/government. At the societal level, an increasing number of cultural and people-to-people exchanges between Europe and China are taking place. Many Chinese are studying in European countries and more and more Europeans are attracted by China. The Middle Kingdom has also become increasingly visible across Europe; for instance, there has been a proliferation of the *Year of China* in European countries.

The aforementioned developments have been accompanied by the deepening and widening of political- and security-strategic relations. The main legal framework of the relationship is still the EC–China Trade and Cooperation Agreement (TCA) signed in 1985, and which covers economic and trade relations as well as the EC–China cooperation programme. The 1985 TCA agreement was complemented in 1994 and 2002 by exchanges of letters establishing an EU–China Political Dialogue including a Dialogue on Human Rights. A new framework agreement encompassing the breadth and scope of the relationship is currently under negotiation between the two sides. Since 1998, an annual EU–China summit is held between the EU heads of state and government (plus the Presidency of the European Commission) and Chinese leaders to discuss bilateral as well as global issues. In October 2003, the two sides upgraded relations by establishing a strategic partnership. In December 2003, the European Security Strategy (ESS) *A Secure Europe in a Better World*, mentioned China as one of the EU's major partners, calling for a strategic partnership with Beijing in the context of the EU's Common Foreign and Security Policy (CFSP). In this context, since 2003 consultations on security and defence matters, military exchanges, and joint manoeuvres with the PLA have been undertaken by some EU member states (for instance, France and Britain; Germany only held consultations).

On 30 October 2003, the same day of the declaration of strategic partnership, the two sides signed an agreement for the joint development of Galileo, the EU-led global navigation satellite system deemed to be a civilian alternative to the dominant US (and Pentagon-led) Global Positioning System (GPS). In the same period, EU member states also agreed to start discussions on a proposal, officially put forward by France and Germany, to lift the EU arms embargo imposed on China after the PLA's crackdown on students in June 1989. The establishment of a techno-political linkage transformed Sino–European relations into a matter of global significance. The agreement on the joint development of Galileo and the proposal to lift the arms embargo would

provoke strong opposition from the United States and its Asian allies, becoming a sort of a 'wake-up' call for these countries. Ever since, Washington and Tokyo, in particular, have begun to look at the EU not only as an economic power bloc, but also as an emerging strategic actor. This changing view of the EU was predicated on the perception that some EU policies and initiatives towards China (even if only proposed as in the case of the lifting of the arms embargo) could, inadvertently affect East Asia's strategic balance and impact on the security calculations of the United States and its Asian allies in an environment characterized by the absence of shared political institutions and a multilateral security architecture. In this zero-sum game and balance of power logic, the Bush administration and its Asian allies would come to interpret EU-China space cooperation and the proposal to lift the arms ban as initiatives that would send an inappropriate political message to Beijing in a situation where the future contours and direction of China's foreign policy were unclear and where there could be future tensions not only in US-China relations (especially over Taiwan), but also between Japan and China.

Under pressure from the Bush administration, the transatlantic summit held in Ireland in June 2004 reached a compromise on the inter-operability of the two systems (Galileo and the GPS). On that occasion, the Europeans guaranteed the American ally that China and other third countries will not have access to the encrypted features of the European satellite system. Opposition from the United States and its Asian allies to the proposal to lift the EU arms embargo on China coupled with an increasing uneasiness towards the lifting within Europe, and the passing of the Anti-Secession Law by the Chinese National People's Congress in March 2005, contributed to EU policy makers' decision to shelve the issue at the European Council in Brussels in June 2005. To press ahead Sino-European relations after the arms ban impasse (and under pressure from the United States and Japan), Brussels and Beijing initiated a Strategic Dialogue in December 2005, which would complement the EU-US and the EU-Japan Strategic Dialogue on North-East Asia (initiated in May 2005 and in September 2005 respectively). These dialogues would reflect the strategic significance acquired by contemporary EU-China relations and their implications for East Asia's major powers and the United States. In its 2006 policy paper on China, the European Commission would set out new conditionality for the furthering of relations and the lifting of the arms embargo, including evident progress on human rights, cross-strait relations, and transparency of China's military spending.¹⁵ The conditionality would reflect changing perceptions in Europe vis-à-vis China as well as a gradual realignment of the EU's China policy on the position of the United States and its Asian allies.¹⁶ This realignment would be enshrined in the *Guidelines on the EU's Foreign and Security Policy in East Asia* adopted

by the Council of the EU in December 2007. The publication of the public procurement tender information package for the second phase of the Galileo system (manufacturing, services and launch of the remaining twenty-six satellites) in July 2008 would put a halt to EU–China satellite navigation cooperation and lay the basis for a political readjustment of their collaboration. With this final move, the period of the EU's love affair with China would be definitively over. At the same time, EU policy makers would increasingly realign with US positions on China and East Asia. Signalling a return to the traditional transatlantic alliance.

A TEST FOR THE EU

The EU–China techno-political linkage, in particular in the period between Autumn 2003 and Summer 2005 (when the proposal to lift would be officially shelved), would remain the only moment in the recent history of the EU when the Europeans (in particular, the political leadership of France and Germany and high-ranking elements within the European Commission) had attempted to challenge the traditional transatlantic alliance by soft balancing against the United States. The lure of the Chinese market coupled with a profound discontent with the American-led Iraq war, and the perceived unilateral attitudes of the Bush administration had provided the official reasons. Underneath, there was an attempt by the political leaders of some powerful EU governments together with the Chinese leadership to impart a long-term challenge to US primacy in the high-tech aerospace and defence sector and create a solid foundation for the emergence of an international system characterized by multiple poles of influence. For some EU policy makers, this would help the political emancipation of the EU from Washington while establishing closer political links with China, something seen as conducive for better integration of China into the international society. In the process, this would also contribute to supporting a future leadership role of the EU in world affairs. For Chinese leaders, this represented a long-standing desire to emerge as a 'normal' great power, and be recognized as such by the EU. It would also play into China's traditional strategy to try to exploit the contradictions between the Western allies in order to further its comprehensive national power and diplomatic clout in world affairs.

The establishment of a techno-political linkage with China would seem to represent an attempt to depart from the traditional role of Europe as the junior partner of the United States. Emerging in the 1950s under the protective

umbrella of the United States, the European Community's role during the Cold War was to provide vital economic and military support for the United States in its efforts to contain the Soviet Union and, more generally, the spread of Communism. In such a context, the Community came to constitute a central element of the Cold War global order, and as such was subject to its constraints. In the post-Cold War era, freed of the previous constraints and in a different geopolitical environment, the EC/EU would begin to emerge as a new actor in international relations. This new European dynamism does not mean, however, that the EU is transforming itself into a great power or a super-state. Rather, the EU is set to remain, for the foreseeable future, a collection of nation states, a 'post-modern actor' endowed with a formidable set of soft-power capabilities.¹⁷ The EU is indeed the most prominent political entity in the world, committed to influencing other actors in the system by exporting its values and norms abroad using peaceful means.¹⁸ The EU's principal soft-power capabilities towards China are the various cooperation programmes, development aid, sectorial dialogues, and the various technical assistance programmes and working groups established across the board over the years. Also the idea of the EU as a normative power (though quite a disputed notion among scholars) can be seen at work in the case of China. The European Commission, in particular, is committed to the diffusion of prescriptions, norms, templates, and technical standards in China. These European efforts, undertaken both at the EU level and by individual member states, seek to help China integrate into the international society. By supporting China's adoption of standards and norms, the EU hopes to contribute in a concrete way to China's modernization and transformation process. These efforts are expected to have a spill-over effect, over time, into the Chinese domestic arena by promoting the emergence of a civil society which would hopefully demand more political liberalization and better protection of human rights and fundamental freedoms, while also steering Chinese foreign policy into a peaceful and cooperative behaviour. This seems to make the EU quite unfitting for the role of a great power in international relations in the traditional sense of the word. At the same time, the examination of the EU-China techno-political linkage contained in this book invites reassessment of the view of the EU as – solely – a civilian (and normative) power. It was possible to detect, in fact, the emergence of the EU as a realpolitik foreign policy actor intent on adopting both mercantilist as well as balancing strategies. With the establishment of a strategic partnership and cooperation in space and defence-related fields, some EU political leaders would consciously work towards the creation of a more balanced (i.e. more democratic) world order based on a peaceful and cooperative interaction among multiple poles of influence, of which the EU and China would be two of the most prominent ones. The EU's

China policy of the last decade would thus show a behaviour by the EU and its member states in tune both with the notion of a civilian (and normative) power and with the idea of a *realpolitik* foreign policy actor. The civilian power role would be mainly pursued through the growing number of cooperation projects set up by the European Commission with the aim to support China's transformation and its inclusion in the international society according to liberal-democratic values. At the same time, efforts to establish a techno-political linkage with China and to counterbalance American primacy in the aerospace and defence sectors would provide evidence of a willingness – and capacity – by the EU and its large member states (when acting together on certain issues) to behave as a *realpolitik* foreign policy actor. By inviting China to join in the development of Galileo, some of the large EU members (France, Germany, Italy, and Spain) have intentionally sought to cooperate with the PRC in order to counterbalance a perceived American space primacy. The proposal to lift the ban was intended both as a political message to Beijing as well as an opportunity to take advantage of China's defence procurement budget (and obtain lucrative contracts for Europe's commercial enterprises). These moves would create the conditions for countering American hegemony of the global high-tech aerospace and defence market as well as support greater EU autonomy from Washington in political and security matters. It was the time of an intense transatlantic row over the US-led Iraq war and of European public opinion being increasingly disaffected by the unilateral attitudes of the United States. In such a particular historical context, China could become an 'ally' in furthering a multipolar world order based on multilateralism, challenge Washington's primacy in the aerospace and defence sectors, and help Europe acquire greater political and technological autonomy from Washington. In the last few years, this geopolitical constellation would begin to fade away and be replaced by a gradual reorientation of EU foreign and security policy in China and East Asia on the perspectives of the United States, accompanied by the emergence of growing negative perceptions about China among European public opinion.

Europe's realignment on the position of the American ally would be a victory for the advocates of American primacy in world affairs (both in the United States and in Europe), as it would demonstrate to Washington's Asian allies (and the Europeans as well) that the United States was still firmly in command of major political decisions within the Western camp. Whether this is seen as a boon or as a doom for the EU depends largely on the lens through which one views the emergence of the EU as a global actor, and the extent to which one favours the acquisition of greater autonomy in political and security affairs from Washington. While this debate is expected to continue in the years to come, challenge ahead for EU policy makers remains to find

practical ways to continue to engage China and, at the same time, accommodate it with the traditional transatlantic alliance.

BACK TO THE FUTURE

The EU's traditional approach to China has been based on the assumption that a widespread engagement, including cooperation in the more sensitive (i. e. strategic) fields of policy, is not only in the long-term interest of the EU and its member states, but also the best way to help the smoothest possible integration of China into the international community. This approach has been welcomed by Chinese leaders who have benefited, over the years, from Europe's capital goods, technology, and an overall non-confrontational attitude towards sensitive issues. The result has been an impressive growth of two-way trade and cooperation in many fields of policy, including sectors of security and strategic nature which would eventually transform the relationship into a matter of global strategic significance. The mood has changed in the last years, as discussed earlier. Growing misperceptions and misunderstandings between the two sides would lead Chinese policy makers to postpone the yearly summit with the EU scheduled for the end of 2008. The event would signal the need to find a new direction for the relationship which would take into consideration the positive results achieved over the years, but also address those elements that cause friction between the two sides. Engagement should continue to guide Europe-China relations. But Europe needs to be more pragmatic and firm in demanding political concessions from Beijing, in particular on human rights and technological/security issues. Chinese leaders, in turn, would be right in continuing to demand to be treated as a 'normal' and equal partner by the EU. Overall, given the breadth, scope, and global significance acquired by Sino-European relations, EU and Chinese policy makers should consider bringing the relationship to a new level where they could work together more closely and where eventual disagreement and incompatibility of perceptions between China and Europe could be clearly recognized, and acted upon. An upgrading of relations would be in tune with the China policy of the new American administration.

President Barack Obama appears to be moving in a new direction in relations with Beijing. Prominent US analysts such as former Secretary of State Henry Kissinger would call for US-China relations to be taken to a new level. Former National Security Adviser Zbigniew Brzezinski, would then advocate the creation of a G-2, a group of two comprising China and the US that could more effectively address global issues. Such upgrading in

US–China relations would be achieved by seeking common ground on major issues, while shelving potential problems. The Obama administration seems to recognize that in a world of complex interdependence (i.e. *mors tua-mors mea*), where China is affecting all the critical issues of the day and its emerging power is being felt worldwide, there could be no other way than to work together with China. The EU and its member states should follow this approach. And work for the creation of a G-3: United States–China–Europe.

Bringing EU–China relations to a new level and create a tripartite group for addressing issues of global concern requires the EU member states to engage in efforts aimed at overcoming fragmentation. This is the only way to uphold Europe's interests and fundamental values and stand up to China's (but also the US's) traditional approach to divide European countries on some key political and strategic issues. The inability of the EU to speak with a single voice on many issues continues to undermine Europe's capacity to deal with an ever stronger China – and become more autonomous from Washington. Would Europe be up to the challenge? This book has sought to demonstrate that the EU is capable – on certain issues and in certain conditions – of behaving as a formidable civilian (and normative) power, as well as a Real-politik foreign policy actor. In the period 2003–2005, some powerful EU member states would attempt to temporarily 'ally' with China in order to soft balance against the United States in some key high-tech and defence-related industrial sectors. Since the shelving of the proposal to lift the EU arms ban on China in Summer 2005, there has been a gradual reorientation of EU foreign and security policy on the positions of the United States, while misperceptions and misunderstandings between Europe and China have grown. The time has come to find a new equilibrium in the form of a middle way between the traditional transatlantic alliance and a relationship with China brought to a new level. Europe's middle way should learn from the lessons of the past, but also look ahead and work toward a global tripartite forum. This would ultimately be in the long-term interest of the EU and its member states – but also the world at large. Since its inception, the European project has come to embody the more prominent example of political integration and reconciliation between foes (i.e. *vita tua-vita mea*).¹⁹ (footnote). It remains the EU's long-term mission – and responsibility – to bring its experience in integrating like-minded countries to the different realities of the international system of the twenty-first century.

NOTES

INTRODUCTION

1. See for instance Griffith (1981). See also Bennett (1978); Ding and Zhang (1987); and Cabestan (1990).
2. Yahuda 1994; Shambaugh 1997: 33–63. See also Shambaugh (1996).
3. Ferdinand 1995; Algieri 2002; Dejean de la Bâtie 2002; Möller 2002; Taube 2002.
4. See for instance Wellons (1994); Meissner and Cabestan (2002); Sandschneider (2002); and Overhaus, Maull, and Harnisch (2005).
5. Yahuda 1996; Santos Neves and Bridges 2000.
6. Cabestan 2002; Mengin 2002.
7. Grant 1995; Xiang 2001; Song 2004.
8. Edmonds 2002.
9. Taylor 1997; Maull, Segal, and Wanandi 1998; Cammack and Richards 1999; Dent 1999; Wiessala 2002; Balme and Bridges 2008; Ruland et al. 2008; Verdun 2008.
10. Shambaugh 2002; *Transatlantic Dialogue on China: Final Report* 2003; Umbach 2004; Gill and Wacker 2005; Shambaugh and Wacker 2008a.
11. Shambaugh 2004, 2005a.
12. Barysch, Grant, and Leonard 2005; Cameron, Berkofsky, and Crossick 2005; Casarini 2006; Zaborowski 2006.
13. Crossick and Reuter 2007; Kerr and Liu 2007; Ludlow 2007; Shambaugh, Sandschneider, and Zhou 2008.
14. Scott 2007a; see also Callahan (2007); Scott (2007b); and Narramore (2008).
15. Grant and Barysch 2008.
16. On understanding and explaining in IR see Hollis and Smith (1991).
17. Friedberg 2000: 149.
18. Macchiavelli 1986; Hobbes 1988. On realism in IR see Donnelly (2000).
19. Carr 2001; for a critical assessment of Carr's work see Cox (2000) and Jones (1998).
20. See for instance Morgenthau (1973).
21. Waltz 1979: 107.
22. Mearsheimer 2001: 7.
23. On the democratic peace theory see for instance Brown, Lynn Jones, and Miller (1996); see also Russett (1993).
24. See for instance Oye (1986).
25. Keohane and Nye 1977.
26. Wendt 1992; see Wendt (1999).
27. See for instance Lucarelli and Manners (2006); see also Manners (2002).
28. See for instance Copeland (1996); see also Mansfield (1995).

29. Central Committee of the Chinese Communist Party 1987; see also the conclusions of the 5th Plenary Session of the 16th Central Committee of the Chinese Communist Party (2005).
30. Deng 1994*b*.
31. Scott 2007*a*.
32. See for instance Huntington (1993); Layne (1997); Mastanduno (1997); and Brooks and Wohlforth (2002).
33. See Layne (1996).
34. This was the sentence found on the Web site of *The Project for the New American Century* (PNAC) one of the foremost neo conservative think tanks during the George W. Bush administration (2000–8).
35. See for instance Mearsheimer (1990) and also Layne (1993).
36. Waltz 1993.
37. Lieber and Alexander 2005.
38. See for instance Mastanduno (1997); Wohlforth (1999); and Ikenberry (2002).
39. Pape 2005; see also in the same issue Paul (2005).
40. Brooks and Wohlforth 2005.
41. In favour of this position see for instance Kupchan (2003*a*); see also Kupchan (2003*b*).
42. Oswald 2006.
43. Calleo 1999.
44. White 2001.
45. Wallace 2005: 493.
46. Hill and Smith 2005*a*: 4.
47. Sjostedt 1977.
48. Allen and Smith 1990; see also Hill (1993) and Rosamond (2000).
49. Duchêne 1972.
50. Smith 2005; see also Zielonka (1998).
51. Manners 2002; Rosamond 2005.
52. See Hill (1990).
53. Giegerich and Wallace 2004.
54. Ginsberg 2001: 3.
55. White 2001: 13.
56. The three pillar structure of the 'new' European Union includes (a) the first pillar, now referred to as the European Community, composed by the three originally separated Communities: European Steel and Coal Community, European Economic Community, and European Atomic Energy Community; (b) the second pillar of a Common Foreign and Security Policy; and (c) the third pillar for co operation in Justice and Home affairs, these last two pillars being intergovernmental.
57. The arms embargo was imposed by EC member countries in 1989 in the frame work of the then European Political Cooperation.
58. Hill 1998*a*.
59. See George and Bennet (2005); see also Vennesson (2008).
60. Vennesson 2008: 233.
61. *Ibid.*: 235.

CHAPTER 1

1. Möller 2002: 11. See also Shambaugh (1996).
2. See Scott (2007a: 218).
3. See Shambaugh (1979).
4. Bennett 1978.
5. Ribao 1980.
6. Ding and Zhang 1987.
7. Guo 1981.
8. Xinhua 1985.
9. *Radio Beijing*, 11 May 1987, as quoted in *Ostinformationen* (1987).
10. *China Daily*, 13 May 1987, p. 1.
11. Kirk 1986: 122.
12. European Parliament Working Documents 1987. To note that the EP has been the most prominent critic, in recent years, of the EU's China policy, including the EU's stance on China's human rights record and the Taiwan question.
13. Interview, Institute of European Studies, Chinese Academy of Social Sciences (CASS), Beijing, May 2005.
14. Yahuda 1983; see also Yahuda (2005).
15. Shambaugh 1996: 3.
16. *Ibid.*: 14.
17. Interview with Huan Xiang (1986), as quoted in Cabestan (1990: 219).
18. See Youngs (2001: chapter 6, 165–90).
19. European Community 1989.
20. The Hong Kong issue became still more contentious when in 1992 the new Governor, Chris Patten, unveiled plans to substantially broaden the political enfranchisement of Hong Kong citizens in voting for their representatives in the Legislative Council. For more details on Hong Kong's takeover see Yahuda (1996).
21. Taube 2002.
22. Treaty on European Union, title V, article J.3.1 2.
23. *Ibid.*, article J.8.3.
24. *Ibid.*, article J.4.1.
25. Eliassen 1998.
26. Spence and Spence 1998.
27. See for instance Song and Zhang (2001). See also Zhang (2002).
28. Möller 1996.
29. Su 1993. This argument would be in line with the one put forward by Kenneth Waltz (1993) in his influential article on the emerging structure of international politics.
30. Qian 1998.
31. Bulletin of the Chinese Embassy in Bonn, 12 March 1992, as quoted by Möller (2002: 21); Qian also stressed that to maximize benefits from this promising relationship, the 'principle of non interference' would have to be respected.

32. Data from the European Commission, DG External Relations, and DG Trade.
33. Zemin 1994.
34. See Sandschneider (2002) and Yahuda (1993).
35. Wellons 1994; see also Wong (2008).
36. Personal consultation with Gianni de Michelis, Italian MP and former Foreign Minister of Italy, Rome, March 2005. See also Dassu (2000).
37. The 'one China' policy is the principle that there is one China and that mainland China, Tibet, Hong Kong, Macao, Xinjiang, and Taiwan are all part of that China. The 'one China' policy is also a requirement for any political entity to establish diplomatic relations with the People's Republic of China.
38. Interview, German Ministry of Foreign Affairs, March 2006.
39. Nesshöver 1999.
40. Ibid.: 100.
41. Interview, Foreign & Commonwealth Office, London, October 2004.
42. Government of the Federal Republic of Germany 1994: 143.
43. European Commission 1994.
44. Ibid.: 6.
45. European Commission 1995.
46. Ibid.: 1.
47. Funabashi, Oksenberg, and Weiss 1994.
48. Shambaugh 1997: 33–63.

CHAPTER 2

1. European Commission 1995.
2. Interview, European Commission delegation in China, Beijing, September 2004.
3. Dent 1999.
4. For more details, see Youngs (2001: 172–173).
5. This view was put forward, for instance, by Sir Chris Patten, shortly before becoming EU Commissioner for External Relations (see Patten [1998]).
6. Interview, European Commission, Brussels, December 2005.
7. See Goodman and Segal (1997).
8. American journals—in particular *Foreign Affairs and Foreign Policy*—provided a platform for such a debate in the mid- and second part of the 1990s. Advocates of containment included Bernstein and Munro (1997). Advocates of engagement included Ross (1997) and Freeman (1996). Advocates of a more normal policy mix included Gerald Segal (1999) with his influential article.
9. Johnston and Ross 1999.
10. Ross 1998.
11. Christensen 2006.
12. See Newhouse (2007).
13. Casarini 2001.
14. The Presidency of the EU, in the CFSP framework, adopted a strong statement condemning 'the firing by the PRC of missiles and recalling the pledge always

made by the PRC to stick to its fundamental policy on the Taiwan issue, which is seek a peaceful solution, calls on the PRC to refrain from activities which could have negative effect on the security of the entire region' (Council of the European Union 1996).

15. See Umbach (2002) and Tow (2001).
16. See for more details Bersick (2004).
17. Interview, European Commission, July 2004.
18. Snyder and Solomon 1998: 1.
19. Huxley and Willett 1999: 21.
20. Yahuda 2004.
21. See for instance Shen (1999).
22. European Commission 1998*a*.
23. *Ibid.*: 4.
24. *Ibid.*
25. Youngs 2001: 168 9.
26. Organisation for Economic Cooperation and Development (OECD) 1998.
27. Brittan 1998.
28. On national security see Wolfers (1952); Buzan (1991); and Baldwin (1997).
29. Sperling and Kirchner 1998.
30. Rothschild 1995.
31. *Ibid.*: 55.
32. *Ibid.*
33. The document declared that 'global security must be broadened from its traditional focus on the security of states to the security of people and the planet' (Commission on Global Governance 1995: 78).
34. European Commission 1995: 1.
35. *Ibid.*: 2.
36. European Commission 1993.
37. Interviews, European Commission, July 2004. The definition was put forward by Unit I 2 (Policy Planning) of the Directorate General I, External Relations, in charge of Commercial Policy and Relations with North America, the Far East, Australia, and New Zealand. Some material was also published. See for instance Katja Afheldt, in collaboration with S. Weyant (environment) and M. Gago de la Mata (external relations) (1999).
38. European Commission 1995: 2; see also European Commission (1998*a*) and subsequent policy papers by the European Commission.
39. This is the accumulated sum invested by European companies in China since the opening up of the country. Source: European Commission delegation in China, October 2008.
40. European Commission 2004*a*: 353 4.
41. Kennedy 1989.
42. Interview, Chinese Academy of Social Sciences (CASS), Beijing, September 2004 and August 2008. See also Daojiong (1999).
43. Zhao 1992; see also the most recent Zhao (2006). Professor Zhao is currently the head of the China Institute of Industrial Economics at the China Academy of

Social Sciences (CASS) and Deputy Director of the China Economics Development Risk Research Center, Beijing.

44. Zhao, Xu, and Xing 1994; see also Liu (1999).
45. See for instance Zalmay et al. (1999) and Szayna et al. (2001).
46. Deng 1994c.
47. Ibid.: 162–3.
48. Central Committee of the Chinese Communist Party 1987; see also the conclusions of the 5th Plenary Session of the 16th Central Committee of the Chinese Communist Party (2005).
49. Deng 1994b.

CHAPTER 3

1. European Commission 2006: 10.
2. European Commission 2003a: 5.
3. Chinese Ministry of Foreign Affairs 2003: 2.
4. Data from Eurostat, September 2008; see also Atkins (2007).
5. Data from European Commission, DG Trade Statistics/Eurostat, available at <http://ec.europa.eu/trade/issues/bilateral/dataxls.htm>.
6. European Commission 2006.
7. Erixon, Messerlin, and Sally 2008. The paper is available on the ECIPE Web site (www.ecipe.org) along with other excellent works on EU Chinese trade and investment relations.
8. Ibid.: 21.
9. Ibid.: 22.
10. Interview, Chinese Ministry of Foreign Affairs, Beijing, May 2005 and August 2008.
11. Ibid.
12. Data from the Research Center for China EU Economic Cooperation (CCEEC), University of International Business and Economics (UIBE), Beijing, October 2008.
13. European Commission 2004a: chapter 5, 299–354.
14. Since 1995, the *Guidelines for foreign investment* have explicitly aimed at the transfer of technology through FDI in sectors like energy, agriculture, transportation, infrastructure, and other basic industries. In recent years, the emphasis is more on advanced technology and strategic sectors such as ICTs, biotechnologies, and aerospace.
15. Baumann and Di Mauro 2007.
16. See Sasso (2007).
17. For an account of China's overseas expansion and strategy, see Eunsuk and Laixiang (2006).
18. Casarini 2007b.
19. Sorrells and Peaple 2007.
20. *Le Monde*, Tuesday, 6 December 2005; see also 'La Chine: le nouvel eldorado d'EADS' (2005); and personal consultation with officials at the French Embassy in China, Beijing, August 2008.

21. For a discussion of the impact of the 'China' question on French domestic politics, see Izraelewicz (2005).
22. Data from the German Ministry of Trade; see also Overhaus, Maull, and Harnisch (2005).
23. Data from the British Ministry of Trade and Industry.
24. For more details on the Italian political debate around the China question see the books by Giulio Tremonti, currently Italian Minister for the Economy: *Rischi Fatali. L'Europa Vecchia, la Cina, Il Mercatismo Suicida: Come Reagire* (2005) and the more recent *La Paura e la Speranza* (2008).
25. *Joint Franco Chinese Declaration*, Paris, 27 January 2004.
26. Interview, German Ministry of Foreign Affairs, Berlin, March 2006.
27. European Commission 1998a.
28. Wong 2008.
29. Patten 2000.
30. Patten 2001.
31. See for instance General Affairs & External Relations Council (GAERC) (2004) and subsequent meetings of the Council of the EU.
32. Council of the EU 2008.
33. Council of the EU 2007b: 36–8.
34. Elgin 1997.
35. Interviews, US State Department and Central Intelligence Agency, Washington, September 2008.
36. Interview, European Commission delegation in China, Beijing, September 2004 and August 2008.
37. Interview, European Commission, Brussels, October 2008.
38. European Commission 2007a.
39. Ibid.: 1.
40. Interview, European Commission, Brussels, December 2007.
41. Ibid.; for more details on the sectorial dialogues, see the Web site of the European Commission (http://ec.europa.eu/comm/external_relations/china/intro/).
42. Commission of the European Communities 1995: section B.2.
43. See Huo (2005).
44. Interview, European Commission delegation in China, Beijing, September 2004.
45. Kuhne 2005.

CHAPTER 4

1. European Commission 2003a.
2. Chinese Ministry of Foreign Affairs 2003.
3. Interview, Chinese Ministry of Foreign Affairs, Beijing, September 2004.
4. Goldstein 2001: 846.
5. Chinese Ministry of Foreign Affairs 2003: 2.
6. Ibid.
7. Ibid.

8. Ibid.
9. Interview, Chinese Ministry of Foreign Affairs, Beijing, September 2004.
10. Lamy 2003.
11. European Commission 2003a: 23.
12. Keohane 1990: 732.
13. Ruggie 1993.
14. Hughes, C.R. 2005: 124.
15. Dominique de Villepin, Prime Minister of France (May 2005–May 2007) during the joint press conference of the French, Russian, and German foreign ministers, Paris, 5 March 2003.
16. Brenner and Parmentier 2002: 118.
17. de Vasconcelos 2008.
18. Solana 2005.
19. Ibid.
20. Chinese Ministry of Foreign Affairs 2002.
21. Wen 2004.
22. Barroso 2005.
23. Interview, US State Department, Washington, September 2008.
24. National Intelligence Council 2004: 47.
25. See for instance Mearsheimer (1990); and also Layne (1993).
26. Waltz 1993.
27. Ikenberry 2001.
28. Walt 2002.
29. Kagan 2003b.
30. Lieber and Alexander 2005.
31. See for instance Mastanduno (1997); Wohlforth (1999); Brooks and Wohlforth (2002); and Ikenberry (2002).
32. Layne 2006: 28.
33. Mearsheimer 2001: 153–62.
34. Recently, the term 'leash slipping' has been added to describe states building up their military capabilities to maximize their ability to conduct an independent foreign policy, as in the case of the ESDP employed by the European allies to counterbalance US hegemony (see Layne [2006: 9]).
35. Pape 2005: 37.
36. Ibid.: 38.
37. Ibid.: 45.
38. Office of the US Secretary of Defense 2001.
39. See for instance Lawton (1998).
40. METDAC Report (2001). The Management of European Technology: Defense and Competitiveness Issues (METDAC) thematic network was funded by the European Commission in the period 1998–2000. See also Lungu (2004).
41. See Heisbourg (2000); also personal consultation with Francois Heisbourg at the Foundation for Strategic Research, Paris, July 2004.
42. See Marcoin (1996); see also Rhode and van Scherpenberg (1994: 4–12).

43. For a critical analysis of these developments, see Melman (1997).
44. Boyer 1994 5.
45. Cohen 1996.
46. Knitter 1994.
47. van Scherpenberg 1997.
48. See Düsterberg (1993: 121). Airbus Industrie was formed under French law in 1970 as a Groupement d'Interêt Economique (GIE) and has been jointly owned by British Aerospace (BAE 20%) of the United Kingdom, Aérospatiale of France (37.9%), Messerschmitt Bölkow/Blohm (MBB) Daimler Benz Aerospace (DASA 37.9%) of Germany, and Construcciones Aeronauticas (CASA 4.2%) of Spain. Initially headquartered in Paris, the company moved to Toulouse in 1974.
49. Trilateral Statement 1997.
50. Joint report of Aérospatiale S.A., British Aerospace plc, Construcciones Aeronauticas S.A., Daimler Benz Aerospace A.G., *European Restructuring in the Field of Aerospace and Related Defence Industries: Industrial Response to the Inter Governmental Declaration of 9 December 1997*, 27 March 1998. For more details see Schmitt (2000).
51. The European Aeronautic Defence and Space Company (EADS) is the result of a series of moves. Firstly, the German Daimler Chrysler Aerospace A.G. (DACA) took over the Spanish firm Construcciones Aeronauticas S.A. (CASA) on 12 June 1999. Subsequently, DACA merged with Aérospatiale Matra (France) on 14 October 1999 creating EADS. Finally, on 14 April 2000, the joint venture between EADS with the Italian strategic partner Finmeccanica (Alenia Aerospazio S.A.) led to the final shape of the new European aerospace and defence conglomerate. The European Commission approved the creation of EADS N.V. (registered in the Netherlands) on 11 May 2000.
52. Deng 1982.
53. Feigenbaum 1999.
54. Lewis and Xue 1999.
55. Hughes 2006.
56. Report on the *Outline of the 10th Five Year Plan for National Economic and Social Development* (China's National People's Congress 2001).
57. Data from interviews and personal consultations at the Chinese Ministry of Science and Technology (MOST) and the Chinese Academy of Sciences, Beijing, August 2008. See also Yang (2007).
58. Data from interviews and Yang (2007: 285).
59. *Le Monde* (Supplement Economie), 6 March 2007, p. vii.
60. Chinese Ministry of Foreign Affairs 2003: title III.
61. Strategic partners growing responsibilities (2006).
62. For an analysis of Chinese scientists' mobility and its significance for advancing China's research levels and capacity, see Jonkers (2007).
63. Interview, Chinese Ministry of Science and Technology (MOST), Beijing, August 2008.

CHAPTER 5

1. Smith, M.S. 2003.
2. For more details on the technical, military, and political aspects of Galileo, see Lindström and Gasparini (2003); see also European Community (2008).
3. European Community 2004. On 26 July 2007, the United States and the European Union announced their agreement to jointly adopt and provide an improved design for their respective Global Navigation Satellite System (GNSS) signals. These signals will be implemented on the Galileo Open Service and the GPS IIIA new civil signal.
4. European Commission 2007*b*.
5. *Ibid.*: 3.
6. European Community 2003: 2; for more details on the political and strategic implications of EU China satellite cooperation, see Casarini (2006: 26–9).
7. Speech by François Lamoureux, Director General, Directorate General for Energy and Transport, European Commission (DG TREN), at the Opening of EU China negotiations on satellite navigation, Brussels, 16 May 2003.
8. Speech by Loyola de Palacio, EU Commissioner for Energy and Transport (DG TREN) and Vice President of the European Commission, at the Opening of EU China negotiations on satellite navigation, Brussels, 16 May 2003.
9. Beidleman 2005.
10. Braunschwig, Garwin, and Marwell 2003; Peter 2007.
11. For an overview of the problems encountered by the Galileo project, see Bounds (2007); see also Fenoglio and Ricard (2007).
12. *Galileo Programme Technical Agreement between the National Remote Sensing Center of China and the China Galileo Satellite Navigation Corporation* 2004.
13. Information gleaned from the Bulletins of CENC from 2005 to 2008 and from personal consultations with officials at the Chinese Ministry of Science and Technology and the China Europe Global Navigation Satellite System Technical Training and Co operation Centre (CENC), Beijing, August 2008.
14. *Ibid.*
15. Council of the European Union 2006: 265–6.
16. Interview, European Commission, Brussels, October 2006.
17. Lindström and Gasparini 2003: 19.
18. Interview, European Commission and Council of the EU, Brussels, December 2005.
19. See Giegerich (2007).
20. Johnson Freese 2000.
21. Interview, European Commission, Brussels, December 2005.
22. The Director General of the DG TREN was François Lamoureux (French national) until the end of 2005. Since 2006, the new Director is Matthias Ruete (German national). The DG TREN controls the Galileo satellite system and interestingly since the late 1990s it has been directed by policy makers from France and Germany.

23. European Commission 1996.
24. Barbance et al. 1996. At the time all the authors were working in ESA's International Relations Office.
25. European Commission 1998*b*.
26. European Commission 1999.
27. See Vielhaber and Sattler (2002*a*).
28. European Advisory Group on Aerospace 2002.
29. *Ibid.*: 4.
30. *Ibid.*: 6.
31. *Ibid.*: 7.
32. *Ibid.*: 9.
33. See for instance Newhouse (2007).
34. Fouquet 2005.
35. Dupas et al. 2001; Ludwig and Hess 2000. See also Vielhaber and Sattler (2002*b*).
36. Cheli and Darnis 2004.
37. Interview, French Ministry of Foreign Affairs, Paris, July 2004.
38. Pasco 2003. Xavier Pasco is currently Maitre de Recherche at the Foundation for Strategic Research, Paris.
39. European Commission 2004*b*.
40. European Parliament 2004*a*.
41. Interview, Ministry of Defence of France, Paris, November 2005.
42. 'Galileo may be battle ready by 2010' 2004.
43. 'Galiléo constituera la seule alternative crédible à l'instauration d'un monopole de fait du système de positionnement global GPS et de l'industrie américaine dans ce domaine... Avec le signal PRS notamment, Galiléo fournira un outil essentiel pour les activités de défense et de sécurité et pour la gestion des crises... sans évoquer les nombreuses applications militaires, sur lesquelles le ministère de la Défense, aujourd'hui utilisateur du GPS, réfléchit actuellement' (Patrick Belouard [Chargé de mission du Premier ministre pour la coordination interministérielle du programme Galiléo] 2005: 73, 78).
44. 'Le système de navigation par satellite Galileo aura des implications militaire et de sécurité, qui devront être prises en compte dans le cadre de la PESD' (Permanent Representation of France to the EU 2005: 14).
45. EADS is the result of a series of mergers among the German DaimlerChrysler Aerospace A.G. (DACA), the Spanish firm Construcciones Aeronauticas S.A. (CASA), and the French Aérospatiale Matra (France). EADS also controls Airbus.
46. The positions of the EU member states have been gleaned from interviews in the period 2004–8.
47. Personal consultation with Francois Heisbourg, Director, Foundation for Strategic Research, Paris, July 2004.
48. Interview, Chinese Ministry of Science and Technology (MOST), Beijing, August 2008.
49. Interview, Chinese Ministry of Foreign Affairs, Beijing, May 2005.
50. Cody 2007.

51. Interview, Chinese Academy of Social Sciences (CASS), Beijing, May 2005.
52. Medeiros et al. 2005.
53. Information Office of the State Council of the People's Republic of China 2000.
54. Interviews, Washington, September 2008; see also Meteyer (2005); see also MacDonald (2008).
55. United States Department of Defence 2001: quotation from chapter 3, 28.
56. US Department of Defence 2003: 8.
57. David 2005.
58. Quoted in Harrington (2007).
59. Shambaugh 2005*b*: 98.
60. Interview, US State Department, London, June 2006 and Washington, September 2008.
61. This is the position put forward by the more conservative policy makers in the US Department of Defence and within the intelligence community as well as by some neo conservative scholars in think tanks such as the Heritage Foundation, the American Enterprise Institute, and the Cato Institute.
62. China's State Council Information Office 2004.
63. O'Hanlon 2005: 61.
64. Lague 2005.
65. Johnson Freese 2003; see also Johnson Freese (1998 and 2007).
66. Interview, Foreign & Commonwealth Office, April 2006.
67. Peter 2007: 105.
68. Interview, Chinese Ministry of Foreign Affairs, Beijing, May 2005.
69. European Community 2004: article 11.2.
70. Ibid.: Annex of the EU US Agreement on Galileo GPS (2004).
71. Ibid.: article 13.

CHAPTER 6

1. At that time European countries issued the following statement: 'The European Council strongly condemns the brutal repression taking place in China...it thinks it necessary to adopt the following measures...interruption by the Member States of the Community of military cooperation and an embargo on trade in arms with China' (European Community 1989).
2. Chinese Ministry of Foreign Affairs 2003: title V.
3. At the time, the international press used terms such as 'love affair' and 'honey moon' to describe the state of Sino European relations (see, for instance, Murphy and Islam [2004]).
4. 'Chirac renews call for end to EU arms embargo on China' 2004.
5. 'Schröder backs sales to China of EU weapons' 2003.
6. European Council's *Presidency Conclusions* states, 'The European Council invites the General Affairs and External Relations Council to re examine the

question of the embargo on the sale of arms to China' (12 December 2003: point 72, 19).

7. Kirkup 2004.
8. Interviews, Chinese Ministry of Foreign Affairs, Beijing, and European Commission delegation in China, September 2004 and May 2005.
9. Quoted from *CNN World News*, 2 May 2004.
10. See for instance Patten (2006: 260–1).
11. Interviews, Chinese Ministry of Foreign Affairs, Beijing, September 2004 and May 2005.
12. Ibid.
13. Archick, Grimmer, and Kan 2005: 20.
14. Patten 2004.
15. European Parliament 2005, discussed and adopted by the European Parliament on 2 February 2006. Quotation from point 34.
16. For more details see Stumbaum (2007).
17. Lawless and Schriver 2004.
18. On the symbolism of the proposal to lift see Vennesson (2007b).
19. European Council 2004.
20. For more details, see Anthony (2005) and Kogan (2005).
21. Council of the European Union 2000. With regard to dual use items, the EU adopted a Joint Action (CFSP 401/2000) concerning the control of technical assistance related to certain military end uses.
22. Council of the European Union 1998.
23. Council of the European Union 2005.
24. European Parliament 2004b.
25. Archick, Grimmer, and Kan 2005: 4.
26. Council of the European Union 2006: 265–6.
27. MEDA is a joint venture resulting from a merger in 2001 between Matra BAE Dynamics, EADS Aérospatiale Missiles, and Alenia Marconi Systems.
28. US Code, title 41, chapter 1, section 50. The US Congress would eventually vote against implementation of retaliatory measures because of the potentially adverse effects they would have on US companies' business interests.
29. For more details, see Yahuda (2005) and Tow (2001).
30. This reading is put forward by the large majority of scholars in the United States (see for instance Tellis [2005]).
31. Source: US China Business Council, November 2008; see also Mallet and Dinmore (2005).
32. US Department of Defence 2002.
33. Section 2(b)(6), Taiwan Relations Act, P.L. 96–8, approved 10 April 1979.
34. Perkins 2005.
35. Shambaugh 2005b: 78.
36. Makienko 2003.
37. Crane et al. 2005: 133.

38. International Institute for Strategic Studies 2005.
39. Interview, Japanese Ministry of Foreign Affairs, Tokyo, May 2005.
40. US Department of Defence 2005.
41. United States Senate 2005*b*.
42. United States Congress 2005.
43. *International Herald Tribune*, 3 February 2005, p. 3.
44. *Joint press conference* of Jacques Chirac, President of France, and Hu Jintao, President of China, Paris, 27 January 2004.
45. Bork 2005. See also Gill and Wacker (2005).
46. Ministry of Foreign Affairs of the Republic of China (Taiwan) 2006: 3 4.
47. *Ibid.*: 9.
48. Quoted in Archick, Grimmett, and Kan (2005: 32).
49. Interviews, Japanese Ministry of Foreign Affairs, Tokyo, May 2005.
50. See for instance Ueta (2006).
51. United States Senate 2005*a*.
52. *People's Daily*, 17 February 2005.
53. Quoted in Austin (2005: 2).
54. See Vennesson (2007*b*: 427 8).
55. Quoted in Archick (2005: 19).
56. *Asahi Shimbun*, interview with Jacques Chirac, 21 March 2005, p. 11.
57. *International Herald Tribune*, 6 April 2005.
58. Interview, Council of the EU, Brussels, October 2005.

CHAPTER 7

1. Council on Foreign Relations 2007.
2. On the EU as a post modern actor see Cooper (2003); on the EU as 'paradise' and the United States as 'power' see Kagan (2003*a*).
3. European Commission 1995.
4. US Department of Defence 1995.
5. US Department of Defence 2008*b*.
6. European Commission 2003*b*: 2.
7. *ASEM Chairman's Statement* 2006.
8. European Commission 2001*b*.
9. Interview, European Commission delegation in Japan, Tokyo, May 2005.
10. European Union 2003: 11.
11. Ferrero Waldner 2005.
12. *Ibid.*
13. See for instance Bush (2005).
14. See Hughes (2001).
15. See Wacker (2008).
16. Hughes 2006: section 4.
17. For more details see Rigger (2005).

18. Interview, Chinese Ministry of Foreign Affairs, Beijing, May 2005.
19. Interview, Taipei Representative Office in the United Kingdom, London, April 2006
20. Quoted in Austin (2005: 2).
21. *Ibid.*: 9.
22. For more details see Mengin (2002).
23. Wellons 1994.
24. Ash 2002.
25. Swaine and Kamphausen 2005.
26. Wellons 1994.
27. Interview, French Embassy in China, Beijing, September 2004 and August 2008.
28. Cabestan 2002. See also Cabestan (2008).
29. Data from the EETO Web site.
30. Gustavo Selva (PPE group), Question No. H 827/88 concerning political relations with the Republic of China in Taiwan, Strasbourg, 17 January 1989.
31. European Parliament 1996.
32. European Parliament 2002*a*.
33. European Parliament 2002*b*.
34. Since 1991 there is a Taiwan Friendship Group in the EP which spreads across all political factions. Among the prominent pro Taiwanese MEPs it is worth mentioning Graham Watson (United Kingdom, Lib Dem) and Olivier Dupuis (Italy, Lib Dem). They are some of the more active initiators of resolutions or written questions calling for more support for Taiwan and renunciation of the use of force in cross Strait relations.
35. *Xinhua*, 7 September 2002.
36. Interview, European Parliament, October 2006. See also Shaocheng (2003).
37. *Report on the Common Foreign and Security Policy* (2005) discussed and adopted by the European Parliament on 2 February 2006: quotation from point 34.
38. Chinese Ministry of Foreign Affairs 2003: section I (The Political Aspect).
39. Council of the EU 2007*a*.

CHAPTER 8

1. Council of the EU 2007*a*.
2. *Ibid.*: 2, point 3.
3. *Ibid.*: 2, point 4.
4. *Ibid.*: 3, point 8.
5. *Ibid.*: 7, point 17.
6. *Ibid.*: 7, point 19.
7. *Ibid.*: 8, point 24.
8. On the democratic peace theory see for instance Brown, Lynn Jones, and Miller (1996); see also Russett (1993).

9. Kagan 2008: 97–8.
10. Deudney and Ikenberry 2009; see also Kupchan (2008).
11. Ibid.
12. Hughes 2007.
13. See for instance Bitzinger (2008).
14. Bitzinger 2009.
15. See Shambaugh (2004–5).
16. Gill 2007.
17. See Samuels (2007).
18. Cossa 2005: 64.
19. Wang 2005: 43.
20. Kissinger 2005.
21. US Department of Defence 2006: 29.
22. Zoellick 2005.
23. *The Washington Post*, 7 February 2006, p. 9.
24. IISS Asia Security Conference 2005.
25. US Department of Defence 2005.
26. US Department of Defence 2007: 25.
27. US Department of Defence 2008a: executive summary, 1–2.
28. Friedberg 2005.
29. See Ross (1999) and Goldstein (2005); see also Brzezinski and Mearsheimer (2005).
30. Christensen 2006.
31. Ibid.:1.
32. For an analysis of the debate see for instance Johnston (2003).
33. Interviews, Washington, September 2008.

CHAPTER 9

1. See Shambaugh and Wacker (2008b).
2. European Space Agency 2008.
3. On the pluri lateral *Agreement on Government Procurement* see http://www.wto.org/english/tratop_e/gproc_e/gp_gpa_e.htm.
4. European Space Agency 2008: 14.
5. Ibid.: 15.
6. Ibid.
7. Interview, European Commission, Brussels, October 2008 and Chinese Ministry of Science and Technology (MOST), August 2008.
8. Interviews, European Commission delegation in China and Chinese Ministry of Science and Technology, Beijing, August 2008.
9. Quoted in Harrington (2007).
10. Interviews, Japan and South Korean Mission to the EU, Brussels, October 2008.
11. Chinese Ministry of Foreign Affairs 2003.
12. European Commission 2003a.

13. Interview, Chinese Ministry of Foreign Affairs, Beijing, August 2008.
14. Interview, European Commission, Brussels, October 2008.
15. European Commission 2006.
16. Menotti 2007.
17. Maull 2005: 776.
18. On the EU as a norms exporter see Zielonka (2008).
19. On the European 'method' see Monnet (1996); on the notion of 'vita tua vita mea' applied to the realm of international relations see Paoletti (2008).

This page intentionally left blank

Bibliography

- Afheldt, K. (with Weyant, S. and de la Mata, G.M.), Economic security: the EU's stake in a sustainable development in China, in W. Draguhn and R. Ash (eds), *China's Economic Security*, London: Curzon Press, 1999, pp.172-229.
- Algieri, F., The coherence dilemma of EU external relations: the European Asia policy, in P. Cammack and G.A. Richards (eds), *Asia Europe Inter Regionalism* (special edition of the *Journal of the Asia Pacific Economy*), Vol. 4, No. 1, 1999, pp. 81-99.
- EU economic relations with China: an institutional perspective, *The China Quarterly*, Vol. 169, No.1, March 2002, 64-77.
- Allen, D. and Smith, M., Western Europe's presence in the contemporary international arena, *Review of International Studies*, Vol. 16, No. 1, January 1990, 19-39.
- Anthony, I., *Military Relevant RU China Trade and Technology Transfers: Issues and Problems*, Stockholm: SIPRI, June 2005.
- Archick, A., Grimmer, R.F., and Kan, S., *European Union's Arms Embargo on China: Implications and Options for U.S. Policy*, Washington DC: Congressional Research Service, Library of Congress, August 2005.
- Asahi Shimbun*, interview with Jacques Chirac, 21 March 2005, p. 11.
- ASEM Chairman's Statement, *The Sixth Asia Europe Meeting Summit*, Helsinki, 9 September 2006.
- Ash, R., Economic relations between Taiwan and Europe, *The China Quarterly*, Vol. 169, March 2002, 154-80.
- Atkins R., China exports more to the EU than the US for the first time, *Financial Times*, Friday, 23 March 2007, p. 4.
- Austin G., *The 1989 China Arms Ban: Putting Europe's Position to Congress*, London: The Foreign Policy Centre, April 2005.
- Baldwin, D.A., The concept of security, *Review of International Studies*, Vol. 23, No. 1, January 1997, 5-26.
- Balme, R. and Bridges, B. (eds), *Europe Asia Relations: Building Multilateralisms*, Basingstoke: Palgrave, 2008.
- Barbance, K., Bergquist, K., Cheli, S., Hood, V., and Nordlund, F., Satellite navigation activities: the international context, *Space Communications*, Vol. 14, No. 3, 1996, 155-61.
- Barroso, J.M., *The EU and China: Painting a Brighter Future Together*, Speech by the President of the European Commission at the Chinese Academy of Social Sciences, SPEECH/05/444, Beijing, 15 July 2005.
- Barysch, K., Grant, G., and Leonard, M., *Embracing the Dragon: The EU's Partnership with China*, London: Centre for European Reform (CER), May 2005.
- Baumann, U. and Di Mauro, F., *Globalisation and Euro Area Trade: Interactions and Challenges*, Frankfurt: European Central Bank, Occasional Paper Series, No. 55, March 2007.

- Becher, K. and Schlagintweit, R. (eds), *China and Germany Different Answers to Strategic Change*, Bonn: Research Institute of the German Council on Foreign Relations, 1995.
- Beidleman, S.W. (Lt Col.), GPS vs Galileo: balancing for position in space, *Astro politics*, Vol. 3, No. 2, 2005, 117–61.
- Bellouard, P., Galiléo, la navigation par satellite à l'heure européenne, *Les Cahiers de Mars*, Vol. 184, 2^e trimestre, 2005, 73–9.
- Bennett, F., *La Chine et la Sécurité Européenne*, Paris: West European Union, 1978.
- Bernstein, R. and Munro, R.H., The coming conflict with America, *Foreign Affairs*, Vol. 76, No. 2, March/April 1997, 18–32.
- Bersick, S., China and ASEM: strengthening multilateralism through inter regionalism, in W. Stokhof, P. van der Velde, and Y.L. Hwee (eds), *The Eurasian Space: Far More Than Two Continents*, Singapore: ISEAS, 2004, pp. 138–54.
- Bitzinger, R.A., *China's Military Industrial Complex: Is It (Finally) Turning a Corner?* RSIS Commentaries, Singapore, 21 November 2008.
- Military modernization in the Asia Pacific: driving a new arms race? *The International Spectator*, Vol. 44, No. 2, June 2009.
- Bork, E., *Human Rights and EU Arms Embargo*, Memorandum to Opinion Leaders, Project for the New American Century (PNAC), Washington, 22 March 2005.
- Bounds, A., Lost in space: how Europe's Galileo project drifted off course, *The Financial Times*, Thursday, 10 May 2007, p. 13.
- Boyer, Y., Technologies, defense et relations transatlantiques, *Politique étrangère*, Vol. 59, No. 4, Winter 1994–5, 1006–15.
- Braunschwig, D., Garwin, R.L., and Marwell, J.C., Space diplomacy, *Foreign Affairs*, Vol. 82, No. 4, July/August 2003, 156–64.
- Brenner, M. and Parmentier, G., *Reconcilable Differences: US French Relations in the New Era*, Washington DC: Brookings Institution, 2002.
- Bretherton, C. and Vogler, J., *The European Union as a Global Actor*, London: Routledge, 1999.
- Brittan, Sir L., *Engaging China*, Speech by the Vice President of the European Commission at the EU China Academic Network Annual Conference, London, 2 February 1998.
- Brooks, S.G. and Wohlforth, W.C., American primacy in perspective, *Foreign Affairs*, Vol. 81, No. 4, July–August 2002, 20–33.
- Hard times for soft balancing, *International Security*, Vol. 30, No. 1, Summer 2005, 72–108.
- Brown, M.E., Lynn Jones, S.M., and Miller, S.E. (eds), *Debating the Democratic Peace*, Cambridge, MA: MIT Press, 1996.
- Brzezinski, Z. and Mearsheimer, J.J., Clash of the Titans, *Foreign Policy*, Vol. 146, January/February 2005, 46–50.
- Bush, R.C., *Untying the Knot: Making Peace in the Taiwan Strait*, Washington: The Brookings Institution, 2005.
- Buzan, B., *People, States and Fear: The National Security Problem in International Relations*, Hemel Hempstead: Harvester Wheatsheaf, 1991.

- Cabestan, J.P., Sino European relations, in G. Segal (ed.), *Chinese Politics and Foreign Policy Reform*, London: Kegan Paul International, 1990.
- France's Taiwan policy: a case of shopkeeper diplomacy, in W. Meissner and J. P. Cabestan (eds.), *The Role of France and Germany in Sino European Relations* (special issue of the *East West Dialogue*), Vol. VI, No. 2 Vol. VII, No. 1, June 2002, 264–91.
- The Taiwan issue in Europe China relations: an irritant more than leverage, in D. Shambaugh, E. Sandschneider, and H. Zhou (eds.), *China Europe Relations, Perceptions, Policies and Prospects*, London: Routledge, 2008, pp. 84–101.
- Callahan, W.A., Future imperfect: the European Union's encounter with China (and the United States), *The Journal of Strategic Studies*, Vol. 30, No. 4–5, August–October 2007, 777–807.
- Calleo, D.P., The strategic implications of the euro, *Survival*, Vol. 41, No. 1, Spring 1999, 5–19.
- Cameron, F., *The Foreign and Security Policy of the European Union. Past, Present and Future*, Sheffield: Sheffield Academic Press, 1999.
- Berkofsky, A., and Crossick, S., *EU China Relations Towards a Strategic Partnership*, European Policy Centre, Working Paper No. 19, Brussels, July 2005.
- Cammack, P. and Richards, G.A. (eds), *Asia Europe Inter Regionalism* (special edition of the *Journal of the Asia Pacific Economy*), Vol. 4, No. 1, 1999.
- Carlsnaes, W., Sjursen, H., and White, B. (eds), *Contemporary European Foreign Policy*, London: Sage, 2004.
- Carr, E.H., *The Twenty Years Crisis, 1919–1939*, Basingstoke: Palgrave, 2001.
- Casarini, N., *Asia Europe Relations within the Evolving Global Economy: The Interplay between Business and Politics*, Milan: ISPI, Working Paper No. 15, October 2001.
- The Evolution of the EU China Relationship: From Constructive Engagement to Strategic Partnership*, Paris: European Union Institute for Security Studies, Occasional Paper No. 64, October 2006.
- and Musu, C. (eds), *European Foreign Policy in an Evolving International System: The Road Towards Convergence*, Basingstoke: Palgrave, 2007a.
- China Flexes Global Investment Muscles*, ISN Security Watch, Zurich, October 2007b.
- Central Committee of the Chinese Communist Party, *Report of the 13th National Congress of the Chinese Communist Party*, Beijing, 25 October–1 November 1987.
- 5th Plenary Session of the 16th Central Committee of the Chinese Communist Party*, Beijing, 8–11 October 2005.
- Cheli, S., and Darnis, J.P., Towards a European space strategy?, *The International Spectator*, Vol. 2, 2004, 103–14.
- China Daily*, 13 May 1987, p. 1.
- China's National People's Congress, *Report on the Outline of the 10th Five Year Plan for National Economic and Social Development*, delivered by Zhu Rongji, Premier of the State Council, at the 4th Session of the 9th National People's Congress, Beijing, 5 March 2001.
- China's State Council Information Office, *China's National Defense in 2004* (White Paper), Beijing, 27 December 2004.

- Chinese Ministry of Foreign Affairs, *China's Position Paper on the New Security Concept*, Beijing, 6 August 2002.
- China's EU Policy Paper*, Beijing, October 2003.
- 'Chirac renews call for end to EU arms embargo on China', *Agence France Presse*, 27 January 2004.
- Christensen, T.J., Fostering stability or creating a monster? The rise of China and U.S. policy toward East Asia, *International Security*, Vol. 31, No. 1, Summer 2006, 81–126.
- Cody, E., Beijing passes milestone with satellite for Nigeria, *The Wall Street Journal*, Tuesday, 15 May 2007, p. 14.
- Cohen, E., *La Tentation Hexagonale: La Souveraineté à l'épreuve de la Mondialisation*, Paris: Fayard, 1996.
- Commission on Global Governance, *Our Global Neighbourhood*, Oxford: Oxford University Press, 1995.
- Cooper, R., *The Breaking of Nations: Order and Chaos in the Twenty First Century*, London: Atlantic Books, 2003.
- Copeland, D.C., Economic interdependence and war: a theory of trade expectations, *International Security*, Vol. 20, No. 4, Spring 1996, 5–41.
- Cossa, R., US security strategy in Asia and the prospects for an Asian regional security regime, *Asia Pacific Review*, Vol. 12, No. 1, 2005, 64–86.
- Council of the European Union, *Press Statement on China's Military Exercises off the Taiwan Coasts*, Italian Presidency of the EU, Brussels, 8 March 1996.
- EU Code of Conduct on Arms Exports*, Brussels, 8 June 1998.
- Council Regulation (EC) No. 1334/2000 of setting up an European Community regime for the control of exports of dual use items and technology*, Brussels, 22 June 2000.
- 6th Annual Report According to Operative Provision 8 of the European Union Code of Conduct on Arms Exports*, 2004/C 316/01, Brussels, 12 December 2004
- User's Guide to the EU Code of Conduct on Arms Exports*, Brussels, 13296/05, PESC 853, COARM 43, 14 October 2005.
- 7th Annual Report of the EU Code of Conduct on Arms Exports*, Brussels, December 2005.
- 8th Annual Report on the EU Code of Conduct on Arms Exports*, 2006/C 250/01, Brussels, 16 October 2006.
- Council of the EU, *Guidelines on the EU's Foreign and Security Policy in East Asia*, 2842nd Council Meeting (16183/07), Brussels, 20 December 2007a.
- General Secretariat, *EU Annual Report on Human Rights 2007*, Brussels, General Secretariat of the Council, 18 October 2007b.
- Declaration by the Presidency on Behalf of the European Union on the Detention of Mr Hu Jia and Other Chinese Human Rights Defenders*, 7707/1/08 REV 1, Brussels, 28 March 2008.
- Council on Foreign Relations (Task Force Chairs: Carla A. Hills and Dennis C. Blair), *US China Relations: An Affirmative Agenda, A Responsible Course*, New York, Council on Foreign Relations Press, Task Force Report No. 59, April 2007.
- Cox, M. (ed.), *E.H.Carr: A Critical Appraisal*, Houndmills: Palgrave, 2000.

- Crane, K., Cliff, R., Medeiros, E., Mulvenon, J., and Overholt, W., *Modernizing China's Military: Opportunities and Constraints*, Santa Monica, CA: RAND, 2005.
- Crossick, S. and Reuter, E. (eds), *China EU: A Common Future*, Hackensack, NJ: World Scientific, 2007.
- Daojiong, Z., Chinese considerations of 'economic security', *Journal of Chinese Political Science*, Vol. 5, No. 1, Spring 1999, 69–87.
- Dassu, M., Italian policy towards China: the trading state approach, in M. Santos Neves and B. Bridges (eds), *Europe, China and the Two SARs*, Basingstoke: Macmillan, 2000.
- David, L., U.S. defense report: China working on anti satellite systems, *Space.com*, 27 July 2005.
- Dejean de la Bâtie, H., *La Politique Chinoise de l'Union Européenne: En Progress, Mais Peut Mieux Faire*, Institut Francais des Relations Internationales (IFRI), Paris, February 2002.
- Deng, X., Speech at the opening ceremony of the National Science Conference (18 March 1978), *The Selected Works of Deng Xiaoping, 1975–1982*, Beijing: People's Press, 1982, pp. 83–4.
- The Selected Works of Deng Xiaoping*, Vol. I–III, Beijing: Foreign Language Press, 1994a.
- Use the intellectual resources of other countries and open wider to the outside world (8 July 1983), *The Selected Works of Deng Xiaoping*, Vol. III, Beijing: Foreign Language Press, 1994b, p. 43.
- The present situation and the tasks before us (16 January 1980), *The Selected Works of Deng Xiaoping*, Vol. III, Beijing: Foreign Language Press, 1994c, pp. 224–5.
- Dent, C., *The European Union and East Asia: An Economic Relationship*, London: Routledge, 1999.
- Deudney, D. and Ikenberry, G.J., The myth of the autocratic revival: why liberal democracy will prevail, *Foreign Affairs*, Vol. 88, No. 1, January/February 2009, pp. 77–93.
- De Vasconcelos, A., Multilateralising multipolarity, in G. Grevi and A. de Vasconcelos (eds), *Partnerships for Effective Multilateralism: EU Relations with Brazil, China, India and Russia*, Paris: EUISS, Chaillot Paper No. 109, June 2008.
- Dinan, D., *Ever Closer Union: An introduction to the European Union*, London: Macmillan, 1999.
- Ding, H. and Zhang, B., *Opportunity, Policy and Role: On Western Europe's Role in Present Day World*, Beijing: China Institute of Contemporary International Relations, 1987.
- Donnelly, J., *Realism and International Relations*, Cambridge: Cambridge University Press, 2000.
- Duchêne, F., Europe's role in world peace, in R. Mayne (ed.), *Europe Tomorrow: Sixteen Europeans Look Ahead*, London: Fontana/Collins for Chatham House, 1972, pp. 32–47.
- Dupas, A., Janichewski, S., von Kries, W., and Schrogl, K.U., A Franco German view of Europe's ambition in space for the 21st century, *Space Policy*, Vol. 17, 2001, 103–10.
- Düsterberg, T., Global competitiveness and U.S. EC trade relations, *The Washington Quarterly*, Vol. 16, No. 3, Summer 1993, pp. 115–127.

- Edmonds, R.L. (ed.), *China and Europe since 1978: A European Perspective* (special issue of *The China Quarterly*), Vol. 169, March 2002.
- Edwards, G., National sovereignty vs integration? The Council of Ministers, in J.J. Richardson (ed.), *European Union. Power and Policy Making*, London: Routledge, 1996.
- Elgin, M., China's entry into the WTO, with a little help from the EU, *International Affairs*, Vol. 73, No. 3, 1997, 494-5.
- Eliassen, K.A. (ed.), *Foreign and Security Policy in the European Union*, London: Sage, 1998.
- Erixon, E., Messerlin, P., and Sally R., *China's Trade Policy Post WTO Accession Focus on China EU Relations*, Brussels: European Centre for International Political Economy (ECIPE), October 2008.
- Eunsuk, H. and Laixiang, S., Dynamics of internationalization and outward investment: Chinese corporations' strategies, *The China Quarterly*, Vol. 187, September 2006, 610-34.
- European Commission, White Paper on Growth, Competitiveness, Employment – *The Challenges and Ways Forward into the 21st Century*, COM (93) 700 final, Brussels, 1993.
- Towards a New Asia Strategy*, Brussels, COM (94) 314 final, 1994.
- A Long Term Policy for China Europe Relations*, Brussels, Commission of the European Communities, COM (95) 279 final, 1995.
- The European Union and Space: Fostering Applications, Markets and Industrial Competitiveness*, Brussels, COM (96) 617, 4 December 1996.
- Building a Comprehensive Partnership with China* (1998), Brussels, Commission of the European Communities, COM (98) 181, 25 March 1998a.
- Towards a Trans European Positioning and Navigation Network Together with a European Strategy for a Global Navigation Satellite System (GNSS)*, Brussels, COM/98/0029 final, 21 January 1998b.
- Galileo: Involving Europe in a New Generation of Satellite Navigation Services*, Brussels, COM (1999) 54 final, 7 May 1999.
- Report on the Implementation of the 1998 Communication: Building a Comprehensive Partnership with China* (2000), Brussels, Commission of the European Communities, COM (00), 2000a.
- The Asia Europe Cooperation Framework (AECF) 2000*, Seoul, ASEM III, October 2000b.
- EU Strategy towards China: Implementation of the 1998 Communication and Future Steps for a More Effective EU Policy*, Brussels, Commission of the European Communities, COM (01), 2001a.
- Europe and Asia: A Strategic Framework for Enhanced Partnership*, Brussels, COM (2001) 469 final, 2001b.
- Europe and Asia: A Strategic Framework for Enhanced Partnership*, Brussels, COM (2001) 469 final, 4 September 2001c.
- China Strategy Paper 2002-2006*, Brussels, Commission of the European Communities, IP/02/349, March 2002a.
- European Advisory Group on Aerospace, *STAR 21: Strategic Aerospace Review for the 21st Century. Creating a Coherent Market and Policy Framework for a Vital European Industry*, Brussels, European Commission/Enterprise publications, July 2002b.

European Commission, *A Maturing Partnership Shared Interests and Challenges in EU China Relations*, Brussels, COM (2003) 533 final, 10 September 2003a.

A New Partnership with South East Asia, Brussels, COM (2003) 399 final, 9 July 2003b.

Commission Staff Working Document *European Competitiveness Report 2004*, Brussels, SEC (2004) 1397, November 2004a.

Communication from the Commission to the European Parliament and the Council. Progress Report on the Galileo Research Programme as at the Beginning of 2004, Brussels, COM(2004) 112 final, 18 February 2004b.

EU China: Closer Partners, Growing Responsibilities, Brussels, COM 632 final, 24 October 2006.

China Country Strategy Paper 2007-2013, Brussels, March 2007a.

Communication from the Commission to the European Parliament and the Council Progressing GALILEO: Re Profiling the European GNSS Programmes, Brussels, COM (2007) 534 final, 19 September 2007b.

European Community, *European Council Declaration on China*, Madrid, 26-27 June 1989.

Cooperation Agreement on a Civil Global Navigation Satellite System (GNSS) Galileo between the European Community and its Member States and the People's Republic of China, Beijing, 30 October 2003.

Agreement on the Promotion, Provision and Use of Galileo and GPS Satellite Based Navigation Systems and Related Applications (between the European Community and its Member States, of the One Part, and the United States of America of the Other Part), Dublin, 28 June 2004.

Regulation (EC) No. 683/2008 of the European Parliament and of the Council of 9 July 2008 on the Further Implementation of the European Satellite Navigation Programmes (EGNOS and Galileo), Brussels, 9 July 2008.

European Council, *Presidency Conclusions*, Brussels, 12 December 2003.

Presidency Conclusions, Brussels, 16-17 December 2004.

European Parliament, *Résolution sur la Menace d'une Action Militaire de la République Populaire de Chine contre Taiwan*, Strasbourg, 15 February 1996.

Europe Asia Partnership, Resolution by the European Parliament on the Commission communication *A Strategic Framework for Enhanced Partnership between Europe and Asia*, Brussels, 5 September 2002a.

EU Strategy Towards China, Resolution on the Commission Communication to the Council and the European Parliament on *A EU Strategy towards China: Implementation of the 1998 Communication and Future Steps for a More Effective EU Policy*, Brussels, P5 TA (2002) 0179, 2002b.

Report on the Communication from the Commission to the European Parliament and the Council on the State of Progress of the Galileo Programme, P5 TA (2004) 0051, Brussels, 28 January 2004a.

Report on the Council's 5th Annual Report According to Operative Provision 8 of the European Union Code of Conduct on Arms Exports, A6 0022/2004, Rapporteur: Raúl Romeva Rueda, European Parliament Committee on Foreign Affairs, Brussels, 19 October 2004b.

- European Parliament, *Report on the Common Foreign and Security Policy*, Brok's Report, Brussels, 28 November 2005.
- European Parliament Working Documents, *Document A2.56/87*, Brussels, European Communities, 18 May 1987, p. 6.
- European Space Agency, *Galileo Full Operational Capability (FOC) Procurement: Tender Information Package*, ESA DTEN NG DOC 03087, Paris, 1 July 2008.
- European Union, *A Secure Europe in a Better World: European Security Strategy*, Brussels, 12 December 2003.
- Feigenbaum, E.A., Who's behind China's high technology 'revolution'? How bomb makers remade Beijing's priorities, policies, and institutions, *International Security*, Vol. 24, No. 1, Summer 1999, 95–126.
- Fenoglio, J. and Ricard, P., Apres les rates de Galileo, l'Europe spatiale veut se relancer, *Le Monde*, Saturday, 28 April 2007, p. 7.
- Ferdinand, P., Economic and diplomatic interactions between the European Union and China, in R.L. Grant (ed.), *The European Union and China: A European Strategy for the Twenty First Century*, London: Royal Institute of International Affairs, 1995.
- Ferrero Waldner, B., *Security in the Far East*, Speech of the EU Commissioner for External Relations at the European Parliament, SPEECH/05/421, Strasbourg, 6 July 2005.
- Fouquet, C., La France engrange 9 milliard d'euros de contrats avec la Chine, *Les Echos*, Tuesday, 6 December 2005, p. 6.
- France's National Assembly, Henri Revol (Senator), *Rapport sur la Politique Spatiale Française: Bilan et Perspectives*, No. 3033/293, Paris, 3 May 2001.
- Freeman, C.W., Sino American relations: back to basics, *Foreign Policy*, Vol. 104, Fall 1996, 3–17.
- Friedberg, A.L., Will Europe's past be Asia's future?, *Survival*, Vol. 42, No. 3, Autumn 2000, 147–59.
- The future of U.S. China relations: Is conflict inevitable?, *International Security*, Vol. 30, No. 2, Fall 2005, 7–45.
- Funabashi, Y., Oksenberg, M., and Weiss, H., *An Emerging China in a World of Interdependence*, New York, Paris, and Tokyo: The Trilateral Commission, The Triangle Papers 45, May 1994.
- 'Galileo may be battle ready by 2010', *EU Politixcom*, 11 March 2004.
- Galileo Programme Technical Agreement between the National Remote Sensing Center of China and the China Galileo Satellite Navigation Corporation*, Beijing, 9 October 2004.
- Gasparini G., *The Galileo Satellite System and Its Security Implications*, European Union Institute for Security Studies, Occasional Paper No. 44, Paris, April 2003.
- General Affairs & External Relations Council (GAERC), *Council Conclusions*, Brussels, October 2004.
- George, A.L. and Bennet, A., *Case Studies and Theory Development in the Social Sciences*, Cambridge, MA: MIT Press, 2005.
- Giegerich, B., *Satellite States Transatlantic Conflict and the Galileo System*, paper presented at the 46th ISA Annual Convention, Honolulu, HI, 1–5 March 2005.

- Navigating differences: transatlantic negotiations over Galileo, *Cambridge Review of International Affairs*, Vol. 20, No. 3, 2007, 491–508.
- and Wallace, W., Not such a soft power: the external deployment of European forces, *Survival*, Vol. 46, No. 2, Summer 2004, 163–83.
- Gill B., *Rising Star: China's New Security Diplomacy*, Washington D.C.: The Brookings Institution, 2007.
- and Wacker, G. (eds), *China's Rise: Diverging US EU Perceptions and Approaches*, Berlin: Stiftung Wissenschaft und Politik German Institute for International and Security Affairs, August 2005.
- Ginsberg, R., *The European Union in International Politics: Baptism by Fire*, Lanham, MD: Rowman & Littlefield, 2001.
- Goldstein, A., The diplomatic face of China's grand strategy: a rising power's emerging choice, *The China Quarterly*, Vol. 168, December 2001, 835–64.
- Rising to the Challenge: China's Grand Strategy and International Security*, Stanford, CA: Stanford University Press, 2005.
- Goodman, D. and Segal, G. (eds), *China Rising: Nationalism and Interdependence*, London: Routledge, 1997.
- Government of the Federal Republic of Germany, Asien konzept der bundesregierung, *Europa Archiv*, Vol. 6, No. 189, 1994, 142–57.
- Grant, C. (with Barysch, K.), *Can Europe and China Shape a New World Order?*, London: Centre for European Reform, May 2008.
- Grant, R.L. (ed.), *The European Union and China: A European Strategy for the Twenty First Century*, London: Royal Institute of International Affairs, 1995.
- Griffith, W.E., China and Europe: weak and far away, in R. Solomon (ed.), *The China Factor*, Englewood Cliffs, NJ: Prentice Hall, 1981.
- Guo, F., Xiou guojia waijiao zhengcede jiben sixiang (Basic thinking in the foreign politics of Western European countries), *Guoji Wenti Yanjiu (Journal of International Studies)*, Vol. 2, 1981, 25–34.
- Harrington, C., China ASAT test prompts US rethink, *Jane's Information Group*, 30 April 2007.
- Heisbourg, F., *European Defence: Making It Work*, Paris: EU Institute for Security Studies, Chaillot Paper No. 42, September 2000.
- Helly, D. and Petiteville, F. (eds), *L'Union Européenne, Acteur International*, Paris: L'Harmattan Logique politique, 2005.
- Hill, C., European foreign policy: power bloc, civilian model or flop?, in R. Rummel (ed.), *The Evolution of an International Actor: Western Europe's New Assertiveness*, Boulder, CO: Westview, 1990.
- The capability expectations gap, or conceptualising Europe's foreign policy, *Journal of Common Market Studies*, Vol. 31, No. 3, September 1993, 305–28.
- (ed.), *The Actors in Europe's Foreign Policy*, London: Routledge, 1996.
- Convergence, Divergence and Dialectics: National Foreign Policies and the CFSP*, Florence: European University Institute, 1997.
- Convergence, Divergence and Dialectics: National Foreign Policies and the CFSP*, J. Zielonka (ed.), *Paradoxes of European Foreign Policy*, The Hague: Kluwer, 1998a.

- Hill, C., Closing the capability expectations gap?, in J. Peterson and H. Sjursen (eds), *A Common Foreign Policy for Europe? Competing Visions of the CFSP*, London: Routledge, 1998b.
- and Smith, M., International relations and the European Union: themes and issues, in C. Hill and M. Smith (eds), *International Relations and the European Union*, Oxford: Oxford University Press, 2005a, pp. 3 17.
- (eds), *International Relations and the EU*, Oxford: Oxford University Press, 2005b.
- Hobbes, T., *Leviathan*, London: Penguin Classics, 1988.
- Hollis, M. and Smith, S., *Explaining and Understanding International Relations*, Oxford: Clarendon Press, 1991.
- Howorth, J., *European Integration and Defence: The Ultimate Challenge?*, Paris: Institute for Security Studies, WEU, Chaillot Paper No. 43, 2000.
- Hughes, C.R., Living with 'One country, two systems'? The future of Beijing's Taiwan policy, *Cambridge Review of International Affairs*, Vol. 14, No. 2, May 2001, 124 38.
- Nationalism and multilateralism in Chinese foreign policy: implications for Southeast Asia, *The Pacific Review*, Vol. 18, No. 1, March 2005, 119 35.
- Chinese Nationalism in the Global Era*, London: Routledge/Curzon, 2006.
- New security dynamics in the Asia Pacific, *The International Spectator*, Vol. 43, No. 2, September 2007, 319 36.
- Hughes, C.W., Japanese military modernization: in search of a 'normal' security role, in A.J. Tellis and M. Wills (eds), *Strategic Asia 2005 06: Military Modernization in an Era of Uncertainty*, Seattle: The National Bureau of Asian Research, 2005, pp. 105 36.
- Huntington, S.P., Why international primacy matters, *International Security*, Vol. 17, No. 4, Spring 1993, 68 83.
- The West: unique, not universal. *Foreign Affairs*, Vol. 75, No. 6, November/December 1996a, 28 46.
- The Clash of Civilizations and the Remaking of World Order*, New York: Simon & Schuster, 1996b.
- The lonely superpower, *Foreign Affairs*, Vol. 78, No. 2, March/April 1999, pp.35 49.
- Huo, Z., On China EU strategic relationship, *International Studies*, Beijing: China Institute of International Studies (CIIS), Vol. 2, March 2005.
- Huxley, T. and Willett, S., *Arming East Asia*, Oxford: Oxford University Press for The International Institute for Strategic Studies (IISS), Adelphi Paper No. 329, 1999.
- IISS Asia Security Conference, First Plenary Session, The Hon. Donald Rumsfeld, 4 June 2005, available at <http://www.iiss.org/>.
- Ikenberry, G.J., *After Victory: Institutions, Strategic Restraints, and the Rebuilding of Order After Major Wars*, Princeton, NJ: Princeton University Press, 2001.
- (ed.), *America Unrivaled: The Future of the Balance of Power*, Ithaca, NY: Cornell University Press, 2002.
- Information Office of the State Council of the People's Republic of China, White Paper on *China's Space Activities*, Beijing, 22 November 2000.
- International Herald Tribune*, 3 February 2005, p. 3.

6 April 2005.

International Institute for Strategic Studies (IISS), *The Military Balance 2004/2005*, Oxford: Oxford University Press, 2004.

Strategic Survey 2004/05, London: Routledge, May 2005.

Izraelewicz, E., *Quand la Chine Change le Monde*, Paris: Grasset, 2005.

Jacobson, L., *Taiwan's Unresolved Status: Visions for the Future and Implications for EU Foreign Policy*, The Finnish Institute of International Affairs, Helsinki, November 2004.

Johnson Freese, J., *The Chinese Space Program: A Mystery Within a Maze*, Malabar, FL: Krieger Publishing, 1998.

Alice in licenseland: US satellite export controls since 1990, *Space Policy*, Vol. 16, 2000, 195–204.

'Houston, We Have a Problem': China and the race to space, *Current History*, September 2003, 259–65.

Space as a Strategic Asset, New York: Columbia University Press, 2007.

Johnston, A.I., Is China a status quo power?, *International Security*, Vol. 27, No. 4, Spring 2003, 5–56.

and Ross, R.S. (eds), *Engaging China: The Management of an Emerging Power*, London: Routledge, 1999.

and Ross, R.S., *New Directions in the Study of China's Foreign Policy*, Stanford, CA: Stanford University Press, 2006.

Jones, C., *E.H. Carr and International Relations: A Duty to Lie*, Cambridge: Cambridge University Press, 1998.

Jonkers, K., *Scientific Mobility and the Internationalisation of the Chinese Research System The Case Of Plant Molecular Biology*, PhD thesis, Department of Social and Political Sciences, European University Institute (EUI), Florence, 2007.

Kagan, R., *Paradise & Power: America and Europe in the New World Order*, London: Atlantic Books, 2003a.

Of Paradise and Power: America and Europe in the New World Order, New York: Alfred. A. Knopf, 2003b.

The Return of History and the End of Dreams, New York: Alfred A. Knopf, 2008.

Kapur, H. (ed.), *China and the European Economic Community: The New Connection*, Martinus Nijhoff: Dordrecht, 1986.

Distant Neighbours: China and Europe, London and New York: Pinter, 1990.

Kennedy, P., *The Rise and Fall of the Great Powers*, New York: Vintage, 1989.

Keohane, R.O., Multilateralism: an agenda for research, *International Journal*, Vol. 45, No. 4, Fall 1990, 731–64.

and Nye, J.S., *Power and Interdependence: World Politics in Transition*, Boston, MA: Little Brown, 1977.

Kerr, D., Greater China and Northeast Asia: regionalism and rivalry, *East Asia: an International Quarterly*, Vol. 21, No.1, 2004, 75–91.

and Liu, F. (eds), *The International Politics of EU China Relations*, Oxford: Oxford University Press (for the British Academy), 2007.

- Kirk, Sir P., Speech at the European Parliament, 18 June 1975, in H. Kapur (ed.), *China and the European Economic Community: The New Connection*, Martinus Nijhoff: Dordrecht, 1986, pp. 121–37.
- Kirkup, J., Blair's backing for China trade angers activists, *The Scotsman*, 11 May 2004.
- Kissinger, H., Conflict is not an option, *International Herald Tribune*, 9 June 2005, p. 9.
- Knitter, H., Hochttechnologie – Sicherung des Industriestandortes Deutschland?, *Dokumente der Luft und Raumfahrtindustrie*, Munich: Daimler Benz Aerospace, Report No. 9, 1994.
- Kogan, E., *The European Union Defence Industry and the Appeal of the Chinese Market*, Hamburg: Landesverteidigungsakademie, Schriftenreihe der Landesverteidigungsakademie, No. 1, 2005.
- Kuhne, H. (MEP), Speech on Behalf of the European Parliament on the Occasion of the 60th EP/US Congress Inter parliamentary Meeting, London, 2 December 2005.
- Kupchan, C.A., *The End of the American Era: U.S. Foreign Policy and the Geopolitics of the Twenty First Century*, New York: Alfred A. Knopf, 2003a.
- The rise of Europe, America's changing internationalism, and the end of U.S. primacy, *Political Science Quarterly*, Vol. 118, No. 2, 2003b, 205–31.
- Minor league, major problems: the case against a league of democracies, *Foreign Affairs*, Vol. 87, No. 6, November/December 2008.
- 'La Chine: le nouvel eldorado d'EADS, *Air & Cosmos*, Vol. 2009, 9 December 2005, 10–11.
- Ladrech, R., Europeanisation of domestic politics and institutions: the case of France, *Journal of Common Market Studies*, Vol. 32, No. 1, 1994, 69–87.
- Lague, D., GPS substitute for China?, *International Herald Tribune*, Tuesday, 19 April 2005.
- Lamy, P., *EU China: Continuity and Change*, Speech by the EU Commissioner for Trade at the EU Chamber of Commerce in China, SPEECH 03/503, Beijing, 31 October 2003.
- Lawless, R. and Schriver, R., *Administration Views on US China Taiwan Relations*, testimony before the US China Economic and Security Review Commission, Washington, 6 February 2004.
- Lawton, T., *Technology and the New Diplomacy: The Creation and Control of EC Industrial Policy for Semiconductors*, Aldershot: Ashgate, 1998.
- Layne, C., The unipolar illusion: why new great powers will rise, *International Security*, Vol. 17, No. 4, Spring 1993, 5–51.
- Less is more: minimal realism in East Asia, *The National Interest*, Vol. 43, Spring 1996, 66–77.
- From preponderance to offshore balancing: America's future grand strategy, *International Security*, Vol. 22, No. 1, Summer 1997, 86–124.
- The unipolar illusion revisited, *International Security*, Vol. 31, No. 2, Fall 2006, 7–41.
- Le Monde*, Tuesday, 6 December 2005.
- (Supplement Economie), 6 March 2007, p. vii.

- Lembke, J., *The Politics of Galileo*, University of Pittsburgh, European Union Center, Center for West European Studies, European Policy Paper No. 7, Pittsburgh, April 2001.
- Lewis, J.W. and Xue, L., China's search for a modern air force, *International Security*, Vol. 24, No. 1, Summer 1999, 64–94.
- Lieber, K.A. and Alexander, G., Waiting for balancing: why the world is not pushing back, *International Security*, Vol. 30, No. 1, Summer 2005, 109–39.
- Lindström, G. and Gasparini, G., *The Galileo Satellite System and Its Security Implications*, European Union Institute for Security Studies, Occasional Paper No. 44, Paris, April 2003.
- Liu, J., Guojia jingji anquan wenti yanjiu shuyao (Summary of research on national economic security), *Renmin Ribao*, 30 January 1999.
- Lucarelli, S. and Manners, I. (eds), *Values and Principles in European Foreign Policy*, London: Routledge, 2006.
- Ludlow, P. (ed.), *The EU and China*, Ponte de Lima: European Strategy Forum, 2007.
- Ludwig, K.P. and Hess, S., Toward a European space policy, *Internationale Politik Transatlantic Edition*, Vol. 1, No. 2, Summer 2000, 49–56.
- Lungu, S., Power, techno economics, and transatlantic relations in 1987–99: the case of Airbus Industrie and Galileo, *Comparative Strategy*, Vol. 23, 2004, 369–89.
- Macchiavelli, N., *Il Principe*, Milan: Arnoldo Mondadori Editore, 1986.
- MacDonald, B.W., *China, Space Weapons, and U.S. Security*, New York: Council on Foreign Relations, Council Special Report No. 38, September 2008.
- Mahbubani, K., The west and the rest, *The National Interest*, Vol. 28, Summer 1992, pp. 3–13.
- The Pacific Way, *Foreign Affairs*, Vol. 74, No. 1, January/February 1995, pp. 100–111.
- Understanding China, *Foreign Affairs*, Vol. 84, No. 5, September/October 2005, 49–60.
- Makienko, K., Les ventes d'armes de la Russie à la Chine. Aspects stratégiques et économiques, *Le courrier des Pays de l'Est*, Vol. 1032, February 2003, 29–38.
- Mallet, V. and Dinmore, G., The rivals: Washington's sway in Asia is challenged by China, *Financial Times*, 18 March 2005, p. 19.
- Manners, I., Normative power Europe: a contradiction in terms?, *Journal of Common Market Studies*, Vol. 20, No. 2, 2002, 235–58.
- and Whitman, R. (eds.), *The Foreign Policies of European Union Member States*, Manchester; Manchester University Press, 2000.
- Mansfield, E.D., *Power, Trade & War*, Princeton, NJ: Princeton University Press, 1995.
- Marcoin, G., Le concept de sécurité économique: un défi pour l'Europe, in N. Chaix (ed.), *Economie et Sécurité: De l'Industrie de Défense à l'Intelligence Economique*, Paris: Fondation pour les Etudes de Défense, 1996, pp. 125–34.
- Mastanduno, M., Preserving the unipolar moment: realist theories and U.S. grand strategy after the cold war, *International Security*, Vol. 21, No. 4, Spring 1997, 49–88.
- Maull, H., Europe and the new balance of global order, *International Affairs*, Vol. 81, No. 4, 2005, 775–99.
- Segal, G., and Wanandi, J. (eds), *Europe and the Asia Pacific*, London and New York: Routledge, 1998.

- Mearsheimer, J.J., Back to the future: instability in Europe after the cold war, *International Security*, Vol. 15, No. 1, Summer 1990, 5–56.
- The Tragedy of Great Power Politics*, New York: W.W. Norton & Co., 2001.
- Medeiros, E.S., Cliff, R., Crane, K., and Mulvenon, J.C., *A New Direction for China's Defense Industry*, Santa Monica, CA: RAND, 2005.
- Meissner, W. and Cabestan, J.P. (eds), *The Role of France and Germany in Sino European Relations* (special issue of the *East West Dialogue*), Vol. VI, No. 2 Vol. VII, No. 1, June 2002.
- Melman, S., *From Private to State Capitalism: How the Permanent War Economy Transformed the Institutions of American Capitalism*, Washington: National Commission for Economic Conversion and Disarmament, Briefing Paper 18, February 1997.
- Mengin, F., A functional relationship: political extensions to Europe Taiwan economic ties, *The China Quarterly*, Vol. 169, March 2002, 136–53.
- Menotti, R., *The European Union and China: A Rude Awakening*, Sydney: Lowy Institute for International Policy, April 2007.
- METDAC Report, *Conclusions and Policy Implications: As Set Out in the Final Report to the European Commission*, Brussels, January 2001.
- Meteyer, D.O., *The Art of Peace: Dissuading China from Developing Counter Space Weapons*, Colorado, Institute for National Security Studies, US Air Force Academy, INSS Occasional Paper 60, August 2005.
- Ministry of Foreign Affairs of the Republic of China (Taiwan), *Appeal to the European Union to Maintain Its Arms Embargo on China Position Paper*, Taipei, May 2006.
- Möller, K., Germany and China: a continental temptation, *The China Quarterly*, Vol. 147, September 1996, 706–25.
- Diplomatic relations and mutual strategic perceptions: China and the European Union, *The China Quarterly*, Vol. 169, March 2002, 10–32.
- Monar, J., The EU's foreign affairs system after the treaty of Amsterdam: a 'strengthened capacity for external action?', *European Foreign Affairs Review*, Vol. 1, No. 2, 1997, pp. 413–418.
- Monnet, J., *Memoires*, Paris: Fayard, 1976.
- Reperes pour une Methode: Propos sur l'Europe a Faire*, Paris: Fayard, 1996.
- Morgenthau, H., *Politics among Nations: The Struggle for Power and Peace*, 5th edn., New York: Alfred A. Knopf, 1973.
- Murphy, D. and Islam, S., China's love affair with Europe, *Far Eastern Economic Review*, 12 February 2004, 26–9.
- Murray, W.S. III and Antonellis, R., China's space program: the dragon eyes the moon (and us), *Orbis*, Fall 2003, 645–52.
- Musu, C., European foreign policy: a collective policy or a policy of 'converging parallels?', *European Foreign Affairs Review*, Vol. 8, No. 1, Spring 2003, pp. 35–49.
- Narramore, T., China and Europe: engagement, multipolarity and strategy, *The Pacific Review*, Vol. 21, No. 1, March 2008, 87–108.
- National Intelligence Council, *Mapping the Global Future: Report of the National's Intelligence Council's 2020 Project*, Washington D.C.: U.S. Government Printing Office, December 2004.

- Nesshöver, C., Bonn et Paris face à Pékin (1989 1997): vers une stratégie commune, *Politique Etrangère*, Vol. 1, 1999, 91 106.
- Newhouse, J., *Boeing versus Airbus*, New York: Vintage Books, 2007.
- Nuttall, S., *European Political Cooperation*, Oxford: Clarendon Press, 1992.
- European Foreign Policy*, Oxford: Oxford University Press, 2000.
- ‘Consistency’ and the CFSP: a categorisation and its consequences, *European Foreign Policy Unit Working Paper I*, London: School of Economics and Political Science, Department of International Relations, 2001 3.
- Office of the US Secretary of Defense, *Quadrennial Defence Review*, Washington, 30 September 2001.
- O’Hanlon, M., U.S. military modernization: implications for U.S. policy in Asia, in A. J. Tellis and M. Wills (eds), *Strategic Asia 2005 06: Military Modernization in an Era of Uncertainty*, Seattle: The National Bureau of Asian Research, 2005, pp. 41 66.
- Organisation for Economic Cooperation and Development (OECD), *The Regional Distribution of Aid Flows*, Paris: OECD, 1998.
- Ostinformationen*, Bonn: Federal Press and Information Office, 12 May 1987, pp. 29 30.
- Oswald F., Soft balancing between friends: transforming transatlantic relations, *Debatte*, Vol. 14, No. 2, August 2006, 145 60.
- Overhaus, M., Maull, H., and Harnisch, S., (eds), German Chinese relations: trade promotion plus something else?, *German Foreign Policy in Dialogue*, Vol. 6, No. 16, Trier, 23 June 2005.
- Oye, K., *Cooperation under Anarchy*, Princeton, NJ: Princeton University Press, 1986.
- Paoletti P., *L’arte delle negoziazione*, Assisi: Edizioni 3P, 2008.
- Pape R.A., Soft balancing against the United States, *International Security*, Vol. 30, No. 1, Summer 2005, 7 45.
- Pasco, X., A question of balance: french space policy in the global age, in D.J. Johnson and A.E. Levite (eds), *Toward Fusion of Air and Space: Surveying Developments and Assessing Choices for Small and Middle Powers*, Santa Monica CA: RAND National Security Research Division, 2003.
- Patten, C., *East and West*, Basingstoke: Macmillan, 1998.
- What Does Europe’s Common Foreign and Security Policy Mean for Asia?*, Speech by the Commissioner for External Relations at the Japan Institute for International Affairs, Tokyo, 5 July 2000.
- China’s Candidature for Hosting the Olympic Games in 2008*, Commission Statements in urgency debates, by External Relations Commissioner in the European Parliament, Plenary Session, SPEECH/01/33, Strasbourg, 5 July 2001.
- Lifting of the Arms Embargo on China: The Rueda Report on Arms Exports*, Speech by Chris Patten, European Commissioner for External Relations to the European Parliament, Strasbourg, 16 November 2004.
- Cousins and Strangers: America, Britain and Europe in a New Century*, New York: Times Books, 2006.
- Paul, T.V., Soft balancing in the age of U.S. primacy, *International Security*, Vol. 30, No. 1, Summer 2005, 46 71.

- People's Daily*, 17 February 2005.
- Perkins, D., China's economic growth: implications for the defense budget, in A.J. Tellis and M. Wills (eds), *Strategic Asia 2005 06: Military Modernization in an Era of Uncertainty*, Seattle: The National Bureau of Asian Research, 2005, pp. 363–86.
- Permanent Representation of France to the EU, *Petit Guide de la Politique Européenne de Sécurité et de Défense (PESD)*, Brussels, October 2005.
- Peter, N., The EU's emergent space diplomacy, *Space Policy*, Vol. 23, 2007, 97–107.
- Peterson, J. and Shackleton, M. (eds), *The Institutions of the European Union*, Oxford: Oxford University Press 2002.
- and Sjursen, H. (eds), *A Common Foreign Policy for Europe? Competing Visions of the CFSP*, London: Routledge, 1998.
- Preston, P.W. and Gilson, J., *The European Union and East Asia: Interregional Linkages in a Changing Global System*, Cheltenham: Edward Elgar, 2001.
- Qian, N., Ouzhou lianhe: chengjiu he weiji (European integration: achievements and crisis), *Guoji Wenti Yanjiu (International Studies)*, Beijing, Vol. 1, 1998, 17–20.
- Quigley, C., *Tragedy and Hope: A History of the World in Our Time*, New York: Macmillan, 1966.
- The Evolution of Civilizations*, Indianapolis: Liberty Fund, 1979.
- The Anglo American Establishment: From Rhodes to Cliveden*, New York: Books in Focus, 1981.
- Weapons Systems and Political Stability: A History*. Washington DC: University Press of America, 1983.
- Radio Beijing*, 11 May 1987.
- Regelsberger, E., de Schoutheete de Tervarent, P., and Wessels, W. (eds), *Foreign Policy of the European Union: From EPC to CFSP and Beyond*, Boulder, CO: Lynne Rienner, 1997.
- Rhode, J. and van Scherpenberg, J., Defence/civilian technology trends – the security/economic challenge, *European Commission/DGI Seminars on Economic Security*, Ebenhausen: Stiftung Wissenschaft und Politik (SWP), 1994.
- Ribao, R., *People's Daily*, 2 April 1980.
- Richardson, J.J. (ed.), *European Union. Power and Policy Making*, London: Routledge, 1996.
- Rigger, S., The unfinished business of Taiwanese democratisation, in N. Tucker (ed.), *Dangerous Strait: The US Taiwan China Crisis*, New York: Columbia University Press, 2005.
- Rosamond, B., *Theories of European Integration*, London: Macmillan, 2000.
- Conceptualising the EU model of governance in world politics, *European Foreign Affairs Review*, Vol. 10, No. 4, 2005, 463–78.
- Rose, G. Neoclassical realism and theories of foreign policy, *World Politics*, Vol. 51, No. 1, October 1998, 144–72.
- Rosecrance, R.N., *The European Union: A New Type of International Actor*, Florence: European University Institute, 1997.
- Ross, R.S., Beijing as a conservative power, *Foreign Affairs*, Vol. 76, No. 2, March/April 1997, 33–44.

(ed.), *After the Cold War: Domestic Factors and US China Relations*, New York: M.E. Sharpe, 1998.

The geography of the peace: East Asia in the twenty first century, *International Security*, Vol. 23, No. 4, Spring 1999, 49–80.

Rothschild, E., What is security?, *Daedalus*, Vol. 124, Summer 1995, 53–98.

Ruggie, J.G. (ed.), *Multilateralism Matters: The Theory and Praxis of an Institutional Form*, New York: Columbia University Press, 1993.

Ruland, J., Schubert, G., Schucher, G., and Storz, C. (eds), *Asian European Relations: Building Blocks for Global Governance?*, London: Routledge, 2008.

Rummel, R. and Wiedemann, J., Identifying institutional paradoxes of CFSP, in J. Zielonka (ed.), *Paradoxes of European Foreign Policy*, The Hague: Kluwer Law International, 1998.

Russett B., *Grasping the Democratic Peace: Principles for a Post Cold War World*, Princeton, NJ: Princeton University Press, 1993.

Said, E., *Orientalism*, London: Penguin, 1978.

Samuels, R.J., *Securing Japan: Tokyo's Grand Strategy and the Future of East Asia*, Cornell, NJ: Cornell University Press, 2007.

Sandschneider, E., China's diplomatic relations with the states of Europe, *The China Quarterly*, Vol. 169, March 2002, 33–44.

Santos Neves, M. and Bridges, B. (eds), *Europe, China and the Two SARs: Towards a New Era*, Basingstoke: Macmillan, 2000.

Sasso, L., New trends in China's foreign investment strategy, *The International Spectator*, Vol. 42, No. 3, September 2007, 399–407.

Schmitt, B., *From Cooperation to Integration: Defence and Aerospace Industries in Europe*, Paris: EU Institute for Security Studies, Chaillot Paper No. 40, July 2000.

'Schröder backs sales to China of EU weapons', *Wall Street Journal*, 2 December 2003.

Scott, D., China EU convergence 1957–2003: towards a 'strategic partnership', *Asia Europe Journal*, Vol. 5, No. 2, June 2007a, 217–33.

China and the EU: a strategic axis for the twenty first century?, *International Relations*, Vol. 21, No. 1, 2007b, 23–45.

Segal, G., Does China matter?, *Foreign Affairs*, Vol. 78, No. 5, September/October 1999, 24–36.

Serra, R., *L'Evolution Stratégique du Japon: Un Enjeu pour l'Union*, European Union Institute for Security Studies, Occasional Paper No. 59, Paris, June 2005.

Serradell, V.P., The Asia Europe meeting (ASEM): a historical turning point in relations between the two regions, *European Foreign Affairs Review*, Vol. 1, No. 2, November 1996, 185–210.

Shambaugh, D., China's quest for military modernization, *Asian Affairs*, May/June 1979, 295–309.

China and Europe: 1949–1995, London: School of Oriental and African Studies, Contemporary China Institute, 1996.

China and Europe: the development from secondary to an independent relationship, in X. Song and X. Zhang (eds), *China and Europe towards the Twenty First Century*, Hong Kong: The Social Sciences Press, 1997.

- Shambaugh, D., European and American approaches towards China: different beds, same dreams?, *China Perspectives*, Vol. 42, July/August 2002, 4–12.
- China and Europe: the emerging axis, *Current History*, Vol. 103, September 2004, 243–48.
- The new strategic triangle: US and European reactions to China's rise, *The Washington Quarterly*, Vol. 28, No. 3, Summer 2005a, 7–25.
- China's military modernization: making steady and surprising progress, in A.J. Tellis and M. Wills (eds), *Strategic Asia 2005–06: Military Modernization in an Era of Uncertainty*, Seattle: The National Bureau of Asian Research, 2005b, pp. 67–104.
- China engages Asia: reshaping the regional order, *International Security*, Vol. 29, No. 3, Winter 2004–5, 64–99.
- and Wacker, G. (eds), *American and European Relations with China: Advancing Common Agendas*, Berlin: SWP Research Paper, June 2008a.
- Introduction, in D. Shambaugh and G. Wacker (eds), *American and European Relations with China: Advancing Common Agendas*, Berlin: SWP Research Paper, June 2008b, pp. 5–10.
- Sandschneider, E., and Zhou, H. (eds), *China Europe Relations: Perceptions, Policies and Prospects*, London: Routledge, 2008.
- Shaocheng, T., EU's Taiwan policy in the light of its China policy, *Asia Europe Journal*, Vol. 1, 2003, 511–25.
- Shen, G., Implications of the advent of the Euro for Europe US relations, *International Strategic Studies*, Vol. 47, No. 2, 1999, 33–6.
- Sigurdson, J., *China Becoming a Technological Superpower – A Narrow Window of Opportunity*, Singapore: East Asian Institute, Working Paper No. 194, June 2004.
- Sjostedt, G., *The External Role of the European Community*, Farnborough: Saxon House, 1977.
- Smith, H., *European Union Foreign Policy. What It Is and What It Does*, London: Pluto Press, 2002.
- Smith, K.E., *The Instruments of European Union Foreign Policy*, Florence: European University Institute, 1997.
- Understanding the European foreign policy system, *Contemporary European History*, Vol. 12, No. 2, 2003, 239–54.
- Beyond the civilian power EU debate, *Politique Européenne*, Vol. 17, 2005, 63–82.
- Smith, M.E., *Europe's Foreign and Security Policy*, Cambridge: Cambridge University Press, 2004a.
- Institutionalization, policy adaptation and European foreign policy cooperation, *European Journal of International Relations*, Vol. 10, No. 1, 2004b, 95–136.
- Smith, M.S., *China's Space Program: An Overview*, Washington: CRS Report for Congress, 21 October 2003.
- Snyder, S. and Solomon, R.H., *Beyond the Asian Financial Crisis: Challenges and Opportunities for U.S. Leadership*, Washington: United States Institute of Peace (USIP), Special Report No. 29, April 1998.
- Soesastro, H. and Wanandi, J., *Towards an Asia Europe Partnership: A Perspective from Asia*, Jakarta: Centre for Strategic and International Studies (CSIS), 1996.

- Solana, J., *Driving Forward the China EU Strategic Partnership*, Speech by the EU High Representative for the Common Foreign and Security Policy at the China Europe International Business School, Shanghai, 6 September 2005.
- Song, X., China's rise and the European experience, *Teaching and Research*, Vol. 4, 2004.
- and Zhang, M., The EU common foreign and security policy and its impact on EU China relations, in J. Xue and R. Zhou (eds), *Sino European Relations Towards the 21st Century*, Beijing, 2001, pp. 115–34.
- Sorrells, N.C. and Peaple, A., EU takeover curb sought, *The Wall Street Journal*, 19 July 2007, p. 9.
- Spence, A. and Spence, D., The common foreign and security policy from Maastricht to Amsterdam, in Eliassen (ed.), *Foreign and Security Policy in the European Union*, London: Sage, 1998, pp. 43–58.
- Sperling, J. and Kirchner, E., Economic security and the problem of economic cooperation in the post cold war Europe, *Review of International Studies*, Vol. 24, 1998, 221–37.
- State Council Information Office, *China's National Defense in 2004*, Beijing, 27 December 2004.
- Stokhof, W. and Van der Velde, P., *Asian European Perspectives: Developing the ASEM Process*, London: Curzon, 2001.
- Strengthening International Order: The Role of Asia Europe Cooperation*, A CAEC Task Force Report, Tokyo and London: Council for Asia Europe Cooperation, 2000.
- Stumbaum M.B., Engaging China uniting Europe? European Union foreign policy towards China, in N. Casarini and C. Musu (eds), *European Foreign Policy in an Evolving International System: The Road Towards Convergence*, Basingstoke, Palgrave, 2007, pp. 57–75.
- Su, H., 'Ouzhoude Deguo' haishi 'Deguode Ouzhou' ('European Germany' or 'German Europe'), *Guoji Wenti Yanjiu (International Studies)*, Beijing, Vol. 1, 1993, 20–2.
- Swaine, M.D. and Kamphausen, R.D., Military modernization in Taiwan, in A.J. Tellis and M. Wills (eds), *Strategic Asia 2005–06: Military Modernization in an Era of Uncertainty*, Seattle: The National Bureau of Asian Research, 2005, pp. 387–422.
- Szayna, T.S. et al., *The Emergence of Peer Competitors: A Framework for Analysis*, Santa Monica, CA: RAND, 2001.
- Taube, M., Economic relations between the PRC and the states of Europe, *The China Quarterly*, Vol. 169, March 2002, 78–107.
- Taylor, T., *European Security and the Asia Pacific Region*, London: Royal Institute of International Affairs, 1997.
- Tellis, A.J., Military modernization in Asia, in A.J. Tellis and M. Wills (eds), *Strategic Asia 2005–06: Military Modernization in an Era of Uncertainty*, Seattle: The National Bureau of Asian Research, 2005, pp. 3–40.
- China's military space strategy, *Survival*, Vol. 49, No. 3, Autumn 2007, 41–72.
- and Wills, M. (eds), *Strategic Asia 2005–06: Military Modernization in an Era of Uncertainty*, Seattle: The National Bureau of Asian Research, 2005.

- The United States and Asia: Toward a New US Strategy and Force Posture*, Santa Monica, CA: RAND, 2001.
- The Washington Post*, 7 February 2006, p. 9.
- Tonra, B. and Christiansen, T. (eds), *Rethinking European Union Foreign Policy*, Manchester: Manchester University Press, 2004.
- Tow, W.T., *Asia Pacific Strategic Relations: Seeking Convergent Security*, Cambridge: Cambridge University Press, 2001.
- Trabalesi, A. (ed.), *Controlling the Transfer of Military Equipment and Technologies in Italy*, Rome: Center for High Defence Studies, December 2004.
- Transatlantic Dialogue on China: Final Report*, A Joint Project of the Henry L. Stimson Center and Research Institute of the German Council on Foreign Relations with the support of the German Marshall Fund of the United States and the Volkswagen Foundation, Washington, Report No. 49, February 2003.
- Tremonti, G., *Rischi Fatali. L'Europa Vecchia, la Cina, Il Mercatismo Suicida: Come Reagire*, Milano: Arnoldo Mondadori Editore, 2005.
- La Paura e la Speranza*, Milano: Arnoldo Mondadori Editore, 2008.
- Trilateral Statement, London, MoD Press Notice No. 208/97, 9 December 1997.
- Ueta, T., Japan, the EU and OSCE, in M.D.C. Esteves (ed.), *EU's Foreign Governance: CFSP and ESDP and Its Impact on Asia*, Macau: Hung Heng, 2006.
- Umbach, F., *Konflikt oder Kooperation in Asien Pazifik? China Einbindung in regionale Sicherheitsstrukturen und die Auswirkungen auf Europa*, Oldenbourg: Forschungsinstitut der Deutschen Gesellschaft für Auswärtige Politik, 2002.
- EU's links with China pose new threat to transatlantic relations, *European Affairs*, Vol. 5, No. 2, Spring 2004, pp. 38–47.
- United Kingdom Parliament House of Commons, *Minutes of Evidence Taken before Foreign Affairs Committee: East Asia*, Dr. Christopher Hughes and Professor David Wall, Wednesday, 1 February 2006.
- United States Congress, 109th Congress, 1st Session H.Res.57, *Urging the European Union to Maintain Its Arms Embargo on China*, 2 February 2005.
- United States Department of Defence, *Report of the Commission to Assess United States National Security Space Management and Organization*, Chairman: Donald H. Rumsfeld, Washington, 11 January 2001.
- United States Senate, *Global Intelligence Challenges 2005: Meeting Long Term Challenges with a Long Term Strategy*, Testimony of Director of Central Intelligence Porter J. Goss before the Senate Select Committee on Intelligence, 16 February 2005a.
- Republican Policy Committee (Jon Kyl, Chairman), *US Generosity Leads the World: The Truth about US Foreign Assistance*, 22 February 2005b.
- US China Economic and Security Review Commission, *Symposia on Transatlantic Perspectives on Economic and Security Relations with China*, Washington, 108 Congress, Brussels (30 November 2004) and Prague (2 December 2004).
- US Department of Defence, *The United States Security Strategy for the East Asia Pacific Region*, Washington, 27 February 1995.
- The National Security Strategy of the United States of America*, Washington, September 2002.

Annual Report on the Military Power of the People's Republic of China, Washington, 28 July 2003

Report on the Military Power of the People's Republic of China (MPPRC), Washington, October 2005.

Quadrennial Defence Review Report, Washington, 6 February 2006.

Report on the Military Power of the People's Republic of China (MPPRC), Washington, April 2007.

Report on the Military Power of the People's Republic of China (MPPRC), Washington, March 2008a.

National Defense Strategy, Washington, June 2008b.

van Scherpenberg, J., Transatlantic competition and European defence industries: a new look at the trade defence linkage, *International Affairs*, Vol. 73, No. 1, January 1997.

Vennesson, P., Europe's grand strategy: the search for a postmodern realism, in N. Casarini and C. Musu (eds), *European Foreign Policy in an Evolving International System: The Road towards Convergence*, Basingstoke: Palgrave, 2007a.

Lifting the EU arms embargo on China: symbols and strategy, *EurAmerica*, Vol. 37, 2007b, 417–44.

Case studies and process tracing: theories and practices, in D. Della Porta and M. Keating (eds), *Approaches and Methodologies in the Social Sciences*, Cambridge: Cambridge University Press, 2008, pp 223–39.

Verdun, A. (ed.), *The European Union and Asia* (special issue of the *Current Politics and Economics of Asia*), Vol. 17, No. 1, 2008.

Vielhaber, J. and Sattler, D., Why Europe needs Galileo, *Internationale Politik Transatlantic Edition*, Vol. 3, No. 4, Winter 2002a, pp. 35–38.

Europas Aufbruch zu grösserer Unabhängigkeit: Ein Plädoyer für das Satellitenproject Galileo, *Internationale Politik*, Vol. 9, 2002b, 47–52.

Wacker, G., *Cross Strait Relations and External Actors: The EU and the US*, Paper presented at the 5th Annual Conference on China Europe Relations and Cross Strait Relations, Xiamen, 31 May–2 June 2008.

Wallace, H., Wallace, W., and Pollack, M. (eds), *Policy Making in the European Union*, 5th edn., Oxford: Oxford University Press, 2005.

The sharing of sovereignty: the European paradox, *Political Studies*, Vol. XLVII, 1999a, pp. 503–521.

Europe after the cold war: interstate order or post sovereign regional system?, *Review of International Studies*, Vol. 25, 1999b, pp. 201–223.

Wallace, W., Post sovereign governance: The EU as a partial polity, in H. Wallace, W. Wallace, and M.A. Pollack (eds), *Policy Making in the European Union*, 5th edn., Oxford: Oxford University Press, 2005, pp. 483–503.

Walt, S.M., Keeping the world 'off balance': self restraint and U.S. foreign policy, in G.J. Ikenberry (ed.), *America Unrivalled: The Future of the Balance of Power*, Ithaca, NY: Cornell University Press, 2002, pp. 121–54.

Waltz, K.N., *Theory of International Politics*, Reading, MA: Addison Wesley, 1979.

The emerging structure of international politics, *International Security*, Vol. 18, No. 2, Fall 1993, 44–79.

- Wang, J., China's search for stability with America, *Foreign Affairs*, Vol. 84, No. 5, September/October 2005, 39-48.
- Wellons P., Sino-French relations: historical alliance vs economic reality, *The Pacific Review*, Vol. 7, No. 3, 1994, 341-8.
- Wen, J., *Vigorously Promoting Comprehensive Strategic Partnership between China and the European Union*, China-EU Investment and Trade Forum, Brussels, 6 May 2004.
- Wendt, A., Anarchy is what states make of it: the social construction of power politics, *International Organization*, Vol. 46, No. 2, Spring 1992, 391-425.
- Social Theory of International Politics*, Cambridge: Cambridge University Press, 1999.
- White, B., *Understanding European Foreign Policy*, Basingstoke: Palgrave, 2001.
- The European Union as a foreign policy actor, in M. Hermann and B. Sundelius (eds), *Comparative Foreign Policy Analysis: Theories and Methods*, Englewood Cliffs, NJ: Prentice Hall, 2004.
- Whitman, R., *From Civilian Power to Superpower? The International Identity of the European Union*, Basingstoke: Macmillan, 1998.
- Wiessala, G., *The European Union and Asian Countries*, London: Continuum/Sheffield Academic Press/UACES, 2002.
- Wohlforth, W.C., The Stability of a unipolar world, *International Security*, Vol. 24, No. 1, Summer 1999, 5-41.
- Wolfers, A., 'National security' as an ambiguous symbol, *Political Science Quarterly*, December 1952, 481-502.
- Wong, R., The Europeanisation of foreign policy, in C. Hill and M. Smith (eds), *International Relations and the European Union*, Oxford: Oxford University Press, 2005, pp. 134-53.
- Towards a common European policy on China?: Economic, diplomatic and human rights trends since 1985, *Current Politics and Economics of Asia*, Vol. 17, No. 1, 2008, 55-82.
- World Bank, *The East Asian Miracle: Economic Growth and Public Policy*, Oxford: Oxford University Press, 1993.
- Wu, X., The attitudes and policies of the EU towards economic globalization, in Y. Qiu (ed.), *Impacts of Economic Globalization on International Relations*, Chinese Academy of Social Sciences, Occasional Paper No. 12, Beijing, 2001, pp. 135-54.
- Xiang, H., *Pekin et les trois mondes*, *Politique Internationale*, Spring 1986.
- Xiang, L., An EU's common strategy for China?, *The International Spectator*, Vol. 26, No. 3, July-September, 2001, 89-99.
- Xinhua*, 7 September 2002.
- Xinhua News Agency*, 17 April 1985.
- Yahuda, M., *Towards the End of Isolationism: China's Foreign Policy After Mao*, London: Macmillan, 1983.
- Sino-British negotiations: perceptions, organisation and political culture, *International Affairs*, Vol. 69, No. 2, April 1993, 245-66.
- , China and Europe: The significance of a secondary relationship, in T.W. Robinson and D. Shambaugh (eds), *Chinese Foreign Policy: Theory & Practice*, Oxford: Clarendon Press, 1994, pp. 266-82.

- Hong Kong: China's Challenge*, London: Routledge, 1996.
- The EU and China The Need for EU U.S. Coordination*, Washington: Centre for Strategic and International Studies (CSIS), Freeman Report, February 2004.
- The International Politics of the Asia Pacific*, London: Routledge, 2005.
- Yang, Y., China and the EU: science and technology cooperation as a binding factor in partnership, in D. Kerr and L. Fei (eds), *The International Politics of EU China Relations*, Oxford: Oxford University Press, 2007, pp. 280–8.
- Youngs, R., *The European Union and the Promotion of Democracy: Europe's Mediterranean and Asian Policies*, Oxford: Oxford University Press, 2001.
- Yuchun, L., The European parliament and the China Taiwan issue: an empirical approach, *European Foreign Affairs Review*, Vol. 9, 2004, 115–40.
- Zaborowski, M. (ed.), *Facing China's Rise: Guidelines for an EU Strategy*, Paris: European Union Institute for Security Studies, Chaillot Paper No. 94, December 2006.
- Zalmay, K. et al., *The United States and a Rising China*, Santa Monica, CA: RAND, 1999.
- Zemin, J., Four principles for the development of the relationship between China and Western Europe, Speech by China's Prime Minister, Paris, 12 September 1994, *Beijing Rundschau*, Vol. 31, No. 38, 1994, 22.
- Zhang, Z., *China Views the ESDP*, Shanghai Institute of International Studies (SIIS), Shanghai, 2002.
- Zhao, Y., *Xinde Guojia Anquan Guan: Zhanzhen zhiwai de duikang yu xuanze (A New Perspective on National Security: No War Confrontations and Choices for China)*, Kunming: Yunnan Renmin Chubanshe, 1992.
- Super Nation's Journey: China Economic Security in the 21st Century*, Beijing: China Yunnan Publishing House, 2006.
- Zhao, Y., Xu, H., and Xing, G., *Zhongguo Jingji Mianlin de Weixian: Guojia Jingji Anquan Lun (Dangers Facing China's Economy: Considerations of China's Economic Security)*, Kunming: Yunnan Renmin Chubanshe, 1994.
- Zheng, B., China's 'peaceful rise' to great power status, *Foreign Affairs*, Vol. 84, No. 5, September/October 2005, 18–24.
- Zielonka, J., *Explaining Euro Paralysis: Why Europe Is Unable to Act in International Politics*, New York: St. Martin's Press, 1998.
- Europe as a global actor: empire by example?, *International Affairs*, Vol. 84, No. 3, 2008, 471–84.
- Zoellick, R.B., *Whither China: From Membership to Responsibility: Remarks to the National Committee on US China Relations*, Washington, 21 September 2005.

This page intentionally left blank

Index

Notes: Sub entries are in alphabetical order *except* where **chronological** order is more useful.

- Aceh 149
- AENA (Spain) 103
- Aeronautic Defence and Space Company,
European 94, 103, 109, 113, 130
- Aerospace 109, 113
 - Finmeccanica 103, 109, 113
 - see also* space cooperation
- Air China 67
- Airbus 45, 67, 93, 94, 108, 110, 111, 130
 - assembly in China 63, 66
- Alcatel (firm) 64, 66, 103
- Alenia Aerospazio 103, 109, 113
- Almunia, Joaquin 65
- Amsterdam, Treaty of 48
- anti satellite weapons test 118, 180,
182 4
- Anti Secession law, Chinese (ASL) 137
- ARF (ASEAN Regional Forum) 148 9, 167
- Arianespace project 108, 111
- Arms Control and Non Proliferation
Center 172
- arms embargo affair (1989) 81, 86, 91,
123 39, 142, 159, 186 7, 194
- Britain and 124, 126, 128, 129, 130
- debate 124 7
- diplomatic wrangling 135 8
- France and 34, 121 30 *passim*
- postponement of issue 138 9
- technical provisions and business
interests 127 31
- United States and 126 38 *passim*
- see also* techno political partnership
- arms industry and sales 150, 155 6, 166
- ASAT test 118, 180, 182 4
- ASEAN (Association of South East Asian
Nations) 41, 46, 147, 163
- Regional Forum (ARF) 148 9, 167
- Asia
 - Europe Meeting (ASEM) 46, 47, 76, 147,
149
 - financial crisis (1997 98) 47 8
 - see also* China; East Asia; India; Indonesia;
Japan
- Aso, Taro 168
- Association of European Studies 28
- Association of South East Asian Nations
see ASEAN
- Australia 132, 148, 149, 168, 176
- Austria 114, 155
- automobile manufacturers 67, 109
- autonomy
 - of EU promoted 92 4
 - in space cooperation 108 11, 155
- Aznar, Jose Maria 124
- BAE Systems (British Aerospace) 109, 114
- balancing 87 8
- Balladour, Edouard 35, 37, 69, 156
- bandwagoning 87
- Bangladesh 38
- Barroso, José Manuel 86, 177
- Baumann, Ursel 64
- Beidou Global Satellite Navigation
System 180, 181 2, 184
- Beijing EU China summit 184
- Belgium 29, 91, 111, 114, 155
- Berlin Wall, fall of (1989) 31, 39
- Berlusconi, Silvio 124, 179
- Bhutan 38
- Big Four (UK, France, Germany, Italy)
34 7
- Boeing 45, 93, 110 11
- Brazil 106, 115
- Britain 179
 - and Asian trade 37 8, 149
 - in Big Four 34 7
 - British Aerospace (BAE) Systems 109, 114
 - and China 30, 36, 42, 43, 45, 51, 68, 70, 91,
177, 178
 - arms embargo 124, 126, 128, 129, 130
 - and EU 67, 71, 73
 - and Galileo project 114
 - and Taipei 155
- Brittan, Sir Leo 49
- Brooks, Stephen G. 12
- Brown, Gordon 179
- Brunei 38, 46
- Bruni, Carla 72
- buck passing 87
- Burma (Myanmar) 38, 125

- Bush, George (US president, 1989–93) 10,
 15, 31, 114, 156
 and arms embargo 127, 132, 133
 techno political partnership 88, 89
 Bush, George W. (US president, 2001–9) 86,
 90, 107, 119, 120, 153, 165, 170
 and Iraq War 187, 188–9
 business interests and arms embargo 127–31
 business and politics interplay between EU
 and China 57–77, 198–9
 business first 58–62
 China's high tech challenge to EU 63–5
 civilian power in Europe 74–7
 cooperation and competition for China's
 market shares 65–8
 human rights dialogue 70–2, 186
 political trade off 68–70
 principles and business 72–4
- Cabestan, Jean Pierre 157
 Cairo conference (1943) 154
 Calleo, David P. 12
 Cambodia 38, 149
 Carr, E.H. 6
 CASS (Chinese Academy of Social
 Sciences) 28
 CCP (Chinese Communist Party) 26, 92,
 152, 172
 CCP (Common Commercial Policy) 68
 CENC (China Europe Navigation
 Centre) 102, 105
 Central and Eastern Europe 36, 62, 114
 CESTY (China EU Science and Technology
 Year) 98
 CFSP *see* Common Foreign and Security
 Policy
 CGTR (China Galileo Test Range) 104
 Charette, Hervé 38
 chemical industry 67
 Chen Shui bian 152, 153, 158
 Cheney, Dick 168
 China 97
 in 1972 (PRC) 154, 167
 Aerospace Science and Technology
 Corporation 104, 105
 Airbus assembly in 63, 66
 Communist Party 26, 92, 152, 172
 engagement with *see* widespread
 engagement
 and Europe 27–8, 34, 38, 58, 74–5, 111,
 186
 arms industry 164, 165
 and Britain *see under* Britain
 future relations 188–91
 and Greece 70
 high tech challenge to 63–5
 Navigation Centre (CENC) 102, 105
 Science and Technology Year
 (CESTY) 98
 summit and agreement 102, 120, 138,
 184
 techno political partnership 83–9, 92,
 93, 94, 98
 trade deficits 61–2
 trading partners 59, 60, 185
 widespread engagement with 41, 46, 47,
 48–9, 50
 see also European Commission; France;
 future; Germany
 Five Year Plan, 11th (2006–10) 98
 'Four Principles' 34
 GDP growth 53
 high tech 63–5, 74–7, 95, 97–8, 99
 human rights 73
 investment 52, 64–5, 185
 and Japan 42, 48, 64, 76, 142, 151,
 177, 183
 arms ban (1989) 132, 136–7
 global concert of democracies? 173, 174,
 175, 176
 market shares, competition and
 cooperation for 65–8
 military spending 172
 Ministry of Foreign Affairs 58, 185
 Ministry of Science and Technology 102,
 110
 National Remote Sensing Centre 103–4
 and Netherlands 51, 70
 Olympics in 72, 179
 'one China' policy 150
 People's Liberation Army (PLA) 116, 123,
 133
 R&D spending 96–7
 Satellite Navigation System *see* Beidou;
 Galileo
 science and technology programmes 95,
 97–8
 Social Sciences Academy 28
 and Soviet Union 28
 space programme 114–17
 Space Technology Academy 105
 and East Asian strategic balance 145,
 146, 147, 148, 151, 155, 159
 and Taiwan *see under* Taiwan
 techno political partnership 74–7,
 89–92, 93, 96–7

- as threat 167
- and United Nations 50
- and United States 74, 76, 110, 177, 180, 83, 191; from Cold war to new possibilities 28 9, 30, 31; global concert of democracies 165, 166, 168, 169 74, 175, 176; widespread engagement with 41, 42, 44, 45, 46, 55
- and WEU 26 7
- see also* arms embargo affair; Galileo; preliminary note to index *and under* Cold War
- Chirac, Jacques 66, 68, 69, 73, 90, 113, 124, 157
- Christensen, Thomas 173
- CIC (Chinese Investment Corporation) 64 5
- civilian power in Europe 74 7
- Clinton, Bill 45, 50, 92 3, 107
- Cold War 31, 166
 - and China 25 7, 29, 115 16
 - see also* Tiananmen Square
 - new possibilities after 25 41
 - beginning in 1970s 25 30
 - early 1990s 31 4
 - Big Four 34 7
- Common Commercial Policy 68
- Common Foreign and Security Policy 32, 71, 85, 110, 159, 186
- commonalities and differences 173 6
- Compass *see under* Global Satellite
- competition/competitiveness
 - for China's market shares 65 8
 - engagement 41 4, 172
- Innovation Framework Programme (2007 12) 98
- space 117 19
- compromise in space cooperation 119 22
- Conference on Security and Co operation in Europe (1975) 31
- conengagement (containment and engagement) 172
- Construcciones Aeronauticas (CASA) of Spain 113
- constructive engagement 41 4
- cooperation for China's market shares 65 8
- CSCAP (Council for Security Cooperation in Asia Pacific) 148 9
- CSCE *see* Conference on Security
- Cuba 90
- Czech Republic 128
- Daimler Chrysler Aerospace 113
- Dalai Lama 72, 178, 179
- de Gaulle, Charles 35, 154
- De Michelis, Gianni 30, 36
- democracies *see* global concert
- Deng Xiaoping 10, 26, 27, 28, 55, 56, 95, 97
- Denmark 32, 34, 42, 72, 124, 126
 - and China 70, 155
 - and Galileo project 114
- Deutsche Telekom 103
- DG TREN *see* Directorate General
- Di Mauro, Filippo 64
- differences and commonalities 173 6
- diplomatic wrangling and arms embargo 135 8
- Directorate General for Energy and Transport 107, 111
- dual use technology 95 6
- EADC (European Aerospace and Defence Co.) 94
- EADS (European Aeronautic Defence and Space Space Co.) 94, 103, 109, 113, 130
- Early Galileo Service in China (EGSIC) 105
- East Asia 142, 163 4
 - Indonesia 38, 46, 48, 149
 - Malaysia 38, 46, 48, 115
 - strategic balance *see under* EU
 - Summit 167
 - trade zone 166
 - see also* China; Indonesia; Japan; Korea
- East China Sea 44
- East Germany 36
- East Timor 149
- Eastern and Central Europe 36, 62, 114
- EC (European Community) *see* EU
- ECB (European Central Bank) 64
- economic security, changing notions of 49 53
- EDA (European Defence Agency) 94
- EDEM (European Defence Equipment Market) 94
- EDITB (European Defence Industrial and Technological Base) 94
- EETO (European Economic and Trade Office) 157
- EGSIC (Early Galileo Service in China) 105
- EIB (European Investment Bank) 49
- 863 programme 96
- EMS (European Monetary System) 27

- EMU (Economic and Monetary Union) 32
 End End Validation (EEV) 105
 ERC (European Research Council) 98
 Erixon, F. 60
 ESA *see* European Space Agency
 ESS (European Security Strategy) 186
 EU (European Union *earlier* European Community) 27 8, 32 3, 70, 163
 arms sales 125, 126, 127 9, 137 8, 150
 'big four' *see* France; Germany; Italy; United Kingdom
 and China 186, 188 91
 Denmark, Ireland and United Kingdom join (1973) 25
 and East Asia's strategic balance 46 50, 142, 145 61, 206 7
 Taiwan and cross strait position of Europe 154 61
 TCA 30, 65 6, 186
 and future *see* future of China/EU relations
 and Germany *see under* Germany
 and human rights 73, 76
 and Japan *see* Strategic Dialogues
 New Asia Strategy 38
 original members 25
 Sixth and Seventh Framework Programmes 98
 Space Agency 101 2, 103, 106 8, 111 14, 116, 142
 three pillar structure 194
 trade levels 59, 60
 and US 190 1
 see also business and politics interplay; Europe; European Commission; European Union; future of China/EU relations; Galileo
- Eureka 95
 Euro, birth of 12
 Eurocontrol 111
 Eurocopter 66
 Eurofighter 130
 Europe 146, 147, 148
 Central and Eastern 36, 62, 114
 and China *see under* China
 military spending 172
 'old' *see* France; Germany; Italy; Spain
 and space cooperation 103 4, 108 10
 European Aeronautic Defence and Space Company 94, 103, 109, 113, 130
 see also Galileo
 see also EU; European Commission; evolution; implications; strategic partnership
- European Advisory Group on Aerospace 109 10
 European Central Bank 64
 European Commission 93, 101, 102, 147, 148
 and China 38, 159, 176, 177, 185 6, 187, 189, 190
 business and politics interplay 58, 62 6, 70 1, 74, 75
 Sino European agreement over Galileo 112, 117 18, 142
 techno political partnership 82, 84, 98
 widespread engagement with 43, 49
 European Economic and Trade Office (EETO)
 and Korea 149, 150
 and space 108 9
 and Taiwan 157, 158
 European Community *see* EU
 European Council 32, 72, 112, 163
 European Court of Justice 32
 European Defence Industrial and Technological Base (EDITB) / Defence Agency/Defence Equipment 94
 European Economic and Trade Office (EETO) 157
 European Investment Bank 49
 European Monetary System *see* EMS
 Economic and Monetary Union (EMU) 32
 European Parliament (EPU) 68, 158 9
 European Political Cooperation (EPC) 25
 European Research Council (ERC) 98
 European Security and Defence Policy 88
 European Security Strategy (ESS) 186
 European Space Agency (ESA) 101 2, 111 14, 143
 and China 177 80 *passim*, 184
 cooperation 103 4, 106 10, 116
 International Space Station 114
 see also Galileo
 European Union *see* EU
 Eurozone 64
 evolution of Europe China relations 1 21, 23 77
 see also business and politics interplay; Cold War; widespread engagement
- Far East *see* East Asia
 FAS (Fishery Application) 104
 FDI (foreign direct investment) EU to China 185
 Ferrero Waldner, B. 148, 150
 financial crisis, Asian (1997 98) 47 8

- Finland 70, 114, 124, 184
 Finmeccanica 103, 109, 113
 Fischer, Joschka 126
 Fishery Application (FAS) 104
 foreign direct investment *see* FDI
 FPDA (Five Power Defence Arrangements) 149
 France 29, 38, 73, 149
 Airbus 110
 Arianespace project 108, 111
 and arms embargo affair 34, 122, 123, 124, 126, 128, 129, 130, 136
 and China 29 30 35, 36, 37, 42, 43, 51, 65 70 *passim* 105, 110, 111, 188, 190
 Galileo and space programmes 103, 109, 111 12, 113, 116, 121, 177, 178
 Iraq war opposed 90, 91
 and Taiwan 154 5, 156 7
 techno political partnership 81, 84, 86, 88, 89, 92, 93
 see also Big Four; EADS
 Free Aceh Movement (GAM) 149
 Friedberg, Aaron 172
 future of China/EU relations 177 92, 208 9
 mood change 178 9
 pragmatic restraint 179 85
 rise and fall in 185 8
 test for EU 188 91
 GAC (General Affairs Council) 70, 71
 Galileo (EU and China Global Satellite Navigation System and space programmes) 101 22 *passim*, 130, 143, 175, 190
 Early Service 105
 and East Asia's strategic balance 150, 153
 and European Commission 112, 117 18, 142
 Fishery Application (FAS) 104
 France and 109, 111 12, 113, 116, 121, 177, 178
 GJU (Joint Undertaking) 103, 104, 86 7
 GPS (Global Positioning) and 107, 120, 121, 187
 revenue expected 103
 second phase 188
 as techno political partnership 81, 89 90, 94, 97, 99
 Test Range 104
 United States and 103, 119 22
 GAM (Free Aceh Movement) 149
 GATT (General Agreement on Tariffs and Trade) 28, 33 4, 74
 General Affairs Council 70, 71
 General Security of Military Information 121
 Generalised System of Preferences *see* GSP
 Germany 38, 73
 in Big Four 34 7
 business and politics interplay 65 71
 passim
 and China 105, 188, 190
 arms embargo (1989) 123, 124, 126, 128, 129, 130
 from Cold war to new possibilities 33, 35 6, 37
 future developments 177, 178 9
 techno political partnership 81, 84, 86, 88, 89
 widespread engagement 42, 43, 45, 49
 and East Asia's strategic balance 146
 Iraq war opposed 90, 91
 reunification 31, 32 3
 and space programme 103, 109, 111, 113, 116
 and Taipei 155
 techno political partnership 92, 93
 see also EADS
 Giannella, Annalisa 124
 Gill, Bates 167
 GJU (Galileo Joint Undertaking) 103, 104, 186 7
 global concert of democracies 163 76, 207 8
 differences and similarities 173 6
 league of, towards 165 9
 transatlantic ties 163 5
 US China relations 169 73
 global debate on China 44 6
 Global Governance, Commission on 51
 Global Meteorological Environmental System 111
 global order question 82 6
 Global Positioning *see* GLONASS; GPS
 Global Research Information Database 98
 Global Satellite Navigation System (GNSS) 193
 Beidou 180, 181 2, 184
 Compass 180, 181 2, 184
 see also Galileo
 GLONASS (Russian global positioning) 104, 112, 181
 GMES (Global Meteorological Environmental System) 111
 GNSS *see* Global Satellite Navigation System
 Goldstein, Avery 82

- GPA (Government Procurement Agreement) 179 80
- GPS (Global Positioning, US) 101, 117, 186
and China 107, 119, 121, 183
civil applications 109
and Galileo 104, 107, 120, 121, 187
PNT (Positioning, Navigation and Timing) 112
- Greece 27, 70
- GRID (Global Research Information Database) 98
- Group of Seven (G 7) 31
- GSA (GNSS Supervisory Authority) 193
- GSOMIA (General Security of Military Information) 121
- GSP (Generalised System of Preferences) 29 30, 155
- Gulf War (1991) 31, 54
- Hallstein doctrine 36
- Heisbourg, François 92
- helicopters 66
- Helsinki summit 184
- Heseltine, Michael 37
- high tech and China *see under* China
- Hill, Christopher 16
- Hispasat (Spain) 103
- Hobbes, Thomas 6
- Hong Kong 30, 34 5, 38, 42, 71, 163, 195
and EU 148, 149
- Howard, John 168
- Hu Jia 71, 72, 179
- Hu Jintao 66, 67, 69, 110, 157
- Hu Yaobang 28
- Huan Xiang 29, 195
- Hughes, Christopher 84
- human rights 70 2, 73, 76, 163, 186
Commission on (UNCHR) 34, 174
violation 71 2
- Ikenberry, G. John 87
- implications of global order 142 3
see also EU and East Asia's strategic balance; future; global concert
- India 60, 115, 168
space programme 106, 116
- Indian Ocean 149
- Indonesia 38, 46, 48, 149
- information technology 96
- Inmarsat Ventures 103, 114
- Institute of Western Studies (China) 28
- intellectual property rights 63, 97, 180
- Intelsat satellite 107
- International Institute for Strategic Studies (IISS) 134
- International Space Station of ESA 114
- International Telecommunication Union 181
- International Thermonuclear Reactor 97
- inter regional engagement 46 9
- investment
China 52, 64 5, 185
Europe 49
in technology 92
- IPR (intellectual property rights) 63, 97, 180, 181, 184
- Iran 85, 107
- Iraq War 86, 88, 92, 187, 188 9, 190
opposition to 90, 91
- Ireland 32, 155
EU US summit (2004) 107, 187
- Israel 106, 133
- Italy 73
and aerospace 111, 116
Finmeccanica 103, 109, 113
Galileo 102, 103
and China 31, 35 6, 43, 51, 67 8, 70, 105, 155, 178, 190
arms ban (1989) 128, 129, 130
techno political partnership 84, 87, 89, 91
see also Big Four
- ITER (International Thermonuclear Reactor) 97
- ITU (International Telecommunication Union) 181
- Japan 39, 93, 95
and China *see under* China
and East Asia's strategic balance 145, 146, 147, 148
and EU 38, 59, 60, 157, 177, 187
GDP growth 48
and global concert of democracies 163, 164, 166
military spending 172
SDF (Self Defence Forces) 168
space programme 116
and Taiwan 155
US Security Alliance (1994) 137, 167 8, 169
- Jiang Zemin 34, 35, 96
- Johnson Freese, Joan 119
- Joint Declaration on EU China Science and Technology Cooperation* 98
- Joint Strike Fighter* project 89
- joint ventures, transnational 64

- Kagan, Robert 87, 145
 Kashmir 148
 Kazakhstan 168
 KEDO (Korean Energy Development) 149, 150
 Kennedy, Paul 54
 Keohane, Robert 84
 Kirk, Sir Peter 28
 Kissinger, Henry 170
 Knowledge based strategic partnership 97 9
 Kohl, Helmut 36, 69
 Korea 38, 125, 148
 Energy Development Organization 149, 150
 global concert of democracies 163, 164, 166
 nuclear tensions and USA 167
 see also North Korea; South Korea
 Kosovo 109
 Kuhne, Helmut 76 7
 Kuomintang 158
 Kyrgyzstan 168
- Lamoureux, François 102
 Lamy, Pascal 84
 Laos 38
 Lasers 95 6, 105
 Latvia 155
 Layne, Christopher 87
 LBS (Location Based Services) 104
 Lenovo Group 64
 Li Peng 33
 Li Zhaoxing 125
 Libya 90
 Liikanen, Erkki 109
 Lisbon, Council of (2000) 110
 Lloyd's of London 67
 Location Based Services (LBS) 104
 Longuet, Gérard 38
 Loyola de Palacio 102, 120
 Luxembourg 29, 91, 155
- Ma Ying jeou 151, 153
 Maastricht, Treaty of (1992) 32, 33
 Macao/Macau 38, 148, 163
 McDonnell Douglas merger with Boeing 93
 Machiavelli, Niccolo 6
 Malaysia 38, 46, 48, 115
 Maldives 38
 Mao Tse Tung 9, 26
 Market Economy Status 61 2
 Marshall Fund 178
 Mearsheimer, John 7
- MEOLUT (Medium altitude Earth Orbit Local User Terminal) 105
 Merkel, Angela 69, 71, 178 9
 MES (Market Economy Status) 61 2
 Messerlin, Patrick 60
 MFA (Multi Fibre Agreement) 61
 MFN (Most Favoured Nation) 29, 45
 military activities 116 17
 see also arms; wars
 Ministry of Science and Technology (China) 102, 110
 missiles 46, 158
 Mitterand, François 35
 Mongolia 38
 Morgenthau, Hans 6
 Moseley, Michael 118
 Most Favoured Nation status 29, 45
 MPPRC (*Military Power of People's Republic of China*) 171
 Multi Fibre Agreement 61
 Myanmar 38, 125
- NAS (New Asia Strategy) 38, 46, 147
 NASA 107
 National Disclosure Policy Committee (US) 121
 National Economic Council (US) 92 3
 National Oceanic and Atmospheric Administration (US) 107
 National Remote Sensing Centre of China 103 4
 NATO (North Atlantic Treaty Organisation) 31, 90
 and China 26, 29, 32
 and Europe 32, 91 2
 and Kosovo 109
 and navigation 112
 and space programme 106, 111
 navigation, satellite *see under* satellites
 NDPC *see* National Disclosure Policy
 NEC *see* National Economic Council
 Negroponte, John D. 170, 171
 Nepal 38
 Nesshöver, Christoph 36
 Netherlands 28, 34, 124
 and China 51, 70
 and Galileo project 114
 and Taiwan 155, 156
 New Asia Strategy (NAS) 38, 46
 New Zealand 148, 149
 NEA (new framework agreement, EU China) 184

- NGOs (non governmental organisations) 43, 68, 76
- Nigeria 115
- NOAA *see* National Oceanic non governmental organisations 43, 68, 76
- Nordic countries 45, 114, 124, 126, 155
see also Finland; Sweden
- North America 46
see also United States
- North Atlantic Treaty Organisation *see* NATO
- North Korea 85, 107, 125, 149
- Norway 155
- NRSCC (National Remote Sensing Centre of China) 103 4
- Obama, Barack 133, 153, 170
- Olympics Beijing 72, 179
- 'one China' policy 196
- Outer Space Treaty* 183
- Pape, Robert A. 88
- Pasco, Xavier 112
- Patten, Chris: and China 34 5, 70 1, 126, 195, 196
- Peace Mission (2007) 169
- People's Liberation Army (PLA, China) 30, 116, 118, 119, 123, 133, 171, 182, 183
see also Tiananmen Square
- Philippines 38, 46, 48, 132
- PLA *see* People's Liberation Army
- PNT (Positioning, Navigation and Timing) 112
- Poland 179
- politics *see* business and politics
- Portugal 27, 155
- post cold war era, soft balancing in 87 90
- Postdam conference (1945) 154
- Pöttering, Hans Gert 72, 178
- Powell, Colin 120
- PRC (China) 154, 167
- principles and business 72 4
- Prodi, Romano 109
- property rights 63, 97, 180
- PRS (Public Regulated Service) signal 106, 120, 181
- Qian Qichen 30, 33, 195
- Raffarin, Jean Pierre 69, 157
- railways 66, 67
- RAND Corporation 174
- remaking global order 1 21, 193 4
argument 8 17
method 17 19
paradigms in IR 608
scholarly field, development of 4 5
Sino European relations 1 4, 117 18
see also evolution; implications and partnership *under* strategy
- Remote Sensing Centre (China) 102
- Research, Technology and Development (RTD) 98
- Rice, C. 154
- Rolls Royce 67, 109
- Rothschild, Emma 50
- Rover 64
- Rumsfeld, Donald 90, 113, 117 18, 170 1
- Russia *see* Soviet Union/Russia
- Sakharov Prize for Freedom of Thought 72
- Sally, Razeen 60
- SAR/Galileo system 105
- Sarkozy, Nicolas 69, 72, 179
- SART (Search and Rescue Transponder) 105
- satellites 115
communication 104 5
navigation 91, 94, 97, 121, 142 3
see also Galileo; Global Satellite Navigation Satellite Laser Range (SLR) 105
see also space cooperation
- Schneider Corporation 64
- Schroeder, Gerhard 66, 68, 69, 73, 113, 124, 126, 159
- SDF (Self Defence Forces, Japan) 168
- SEA (Single European Act) 27
- Search and Rescue Transponder (SART) 105
- Security and Co operation in Europe, Conference on (1975) 31
- Shambaugh, David 29, 177
- 'Shangri La Dialogue' 170
- Siemens 67
- Singapore 38, 45, 46, 48, 147, 168
- Single European Act (1986) 27
- Sino European agreement over Galileo 117 18
- SIPRI 172
- Smith, Michael 16
- soft balancing in post cold war era 87 90
- Solana, Javier 85, 109, 124
- South America 106, 115
- South China Sea 167
- South Korea 45, 48, 106, 132, 147, 157, 164
and China 115, 183
GDP growth 48

- South East Asia *see* ASEAN
- Soviet Union/Russia 129, 130, 166, 168, 169
 arms from 171
 and China 28, 115
 Cold War 25
 demise of USSR (1991) 31, 39, 54
 GLONASS (global positioning) 112, 181
 military spending 172
 Sputnik 118, 183
 trade with EU 59, 61
- space cooperation 86, 89, 101 22, 142, 202 4
 aerospace and defence industries 93 4
 autonomy, gaining 108 11
 China's programme 114 17, 142
 competition 117 19
 compromise 119 22
 dual use programmes 116
 European Union Space Agency 101 2,
 103, 106 8, 111 14, 116, 142
 see also EADS; Galileo; satellites
- Spain 73, 84, 89, 91
 and China 43, 70, 190
 arms ban (1989) 124, 128, 130
 in EC 27
 and space programme 103, 111, 113, 116
 and Taipei 155
 see also EADS
- Sputnik 118, 183
- Sri Lanka 38
- STAR 21 report 110 11
- State Owned Enterprises (SOEs)
- Stockholm International Peace Research
 Institute 167
- strategy/strategic
 balance *see* East Asia *under* EU
 dialogues on EU's relationship with US
 and Japan 187
 partnership 79 92
 knowledge based 97 9
 see also arms embargo affair; space
 cooperation; techno political
 partnership
 significance 54 6
 triangulation 90 2
- Sudan 125
- Sweden 70, 72, 114, 124, 126, 155
- Switzerland 59
- reunification with 151 3
- strategic balance 154 5, 157, 159
- widespread engagement with 43, 44, 45,
 48, 150, 253
- defence of 150 1
- and East Asia's strategic balance 145
- and Europe, cross strait position 154 61
- European support 157, 158 9
- GDP growth 48
- and global concert of democracies 163,
 164, 166
- and United States 150 1, 153, 155
- and WTO 158
- Tajikistan 168
- TCA (Trade and Cooperation Agreement,
 EC China) 30, 65 6, 186
- TCL Corporation 64
- Technology Reinvestment Program 92
- techno political partnership 81 99, 199 201
 aerospace and defence industries 93 4
 autonomy of EU promoted 92 4
 global order question 82 6
 high tech long march by China 74 7
 knowledge based 97 9
 soft balancing in post cold war era 87 90
 strategic triangulation 90 2
- Thailand 38, 46, 48, 132, 147
- Thales (France) 103, 109
- thermonuclear reactor 97
- Thomson (firm) 64
- Tiananmen Square massacre (1989) 30 1,
 34, 36, 42, 54, 81, 123, 124
 repercussions *see* arms embargo
- Tibet 43, 163
 and China/EU relations 71 2, 73, 178, 179
- Timor 149
- Torch programme 96
- trade *see* business
- Trade Commissioner, EU 66
- Trade and Cooperation Agreement *see* TCA
- Trans Regional EU ASEAN Trade
 Initiative 147
- Trilateral Commission on China 38 9
- TRP (Technology Reinvestment Program) 92
- Tusk, Donald 179
- Ukraine 133
- unipolarity 87
- United Kingdom *see* Britain
- United Nations 33
 Commission on Human Rights
 (UNCHR) 34, 174
 Security Council 84
- Taipei 175
- Taiwan 38, 69, 118, 142, 170
 and China 156, 175, 183
 arms ban (1989) 34, 35, 37, 119, 124,
 127, 133, 136, 137

- United States 31, 68 9, 73 4, 142
 - Air Force (USAF) 118
 - arms embargo affair 126 38 *passim*
 - and China *see under* China
 - and East Asia's strategic balance 145, 146 7, 148
 - and EU 59, 60, 187
 - Galileo system 103, 118, 119 22
 - Global Positioning *see* GPS
 - government bonds 169 70
 - as guarantor of order 166
 - Japan Security Alliance (1994) 137, 167 8, 169
 - and Korean nuclear tensions 167
 - military spending 172
 - National Oceanic and Atmospheric Administration 107
 - space programme 106 7, 108
 - and Taiwan 150 1, 153, 155, 156
 - technology and economic security 92, 93
 - techno political partnership 82, 86, 87, 90, 91
 - see also* Iraq War
- Uzbekistan 168
- Venezuela 115
- Vietnam 38, 46
- Villepin, Dominique de 130
- Wacker, Gudrun 177
- Walt, Stephen M. 87
- Waltz, Kenneth 7
- Waltz, Michael 11, 87
- Wang Jisi 169
- wars 154
 - see also* Cold War; Gulf War; Iraq War
- Warsaw Pact 32
- weapons *see* arms
- Wen Jiabao 66, 85 6, 110, 125, 130, 151
- Wen Jinsheng 72
- Wendt, Alexander 8
- WEU (Western European Union) 26 7, 32
- widespread engagement with China 41 56, 196 8
 - constructive 41 4
 - economic security, changing notions of 49 53
 - global debate 44 6
 - inter regional 46 9
 - strategic significance 54 6
 - see also* China; future of China/EU relations
 - and under* European Commission, France
 - and* Germany
- WIPO (World Intellectual Property Organisation) 97
- Wohlforth, William C. 12
- World Bank and China 49
- World Intellectual Property Organisation 97
- World Trade Organization (WTO) 61, 66, 74, 131, 146, 158, 179
- Wuttke, Joerg 73
- Xian Institute of Space Radio Technology 105
- Xinjiang 43
- Yahuda, Michael 48
- Zhao, Professor 197
- Zhao Ying 54
- Zhao Ziyang 28
- Zhou Enlai 25
- Zimbabwe 125
- Zoellick, Robert 170
- zouchuqu* 64